

FCO 82/279

**Foreign policy of the USA:
Kissinger press conferences
and diplomacy
(Folder 1)
(1973)**

1973

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PART A

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(Part A)

TITLE: Foreign Policy of United States

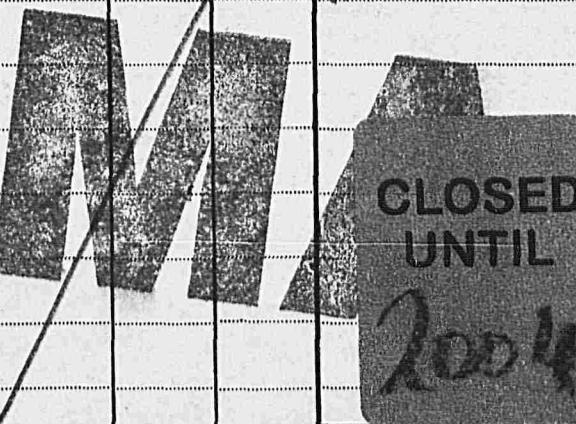
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USEFUL INFORMATION RELATED TO CONTENTS OF THIS FILE

FOLIOS 1 → US Sec. of State's
Annual report to Congress on
US Foreign Policy Report.

FOLIO 9 PRESIDENT NIXON'S
FOREIGN POLICY REPORT

LAST FILE: AMW 2/3 1972.

NEXT FILE: AMIN 2/2 (1974)

OTHER RELATED FILES:.....

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London SW1

Telephone 01-

RECEIVED IN
REGISTRY N. 3
23 MAY 1973
Your reference
2/15
Our reference
AMU 2/5
Date

22 May 1973

J A N Graham Esq CMG
WASHINGTON

I enc. Johnny.

P.G.H.
241S

(5)

US FOREIGN POLICY REPORT FOR 1972

1. In your letter 2/15 of 27 April you provided us with some useful comments on the Secretary of State's Report to Congress on Foreign Policy in 1972.
2. We passed on your comments with copies of the Report to interested Departments in the Office. In view of the comment in paragraph 7 of your letter about the reference to British exchange controls, you may wish to note that we agree that the US charge is in fact justified although the US might have mentioned French administrative restrictions with equal justice and there are important exceptions to the restriction that we impose.
3. It is true that the borrowing of sterling by foreign (including US) subsidiaries in the UK, either for investment abroad or for investment here, is generally prohibited. But
 - (i) the 1972 Budget permitted unlimited sterling financing of investment in UK Assisted Areas;
 - (ii) if a project anywhere in the UK promises "special economic benefits" to the UK - notably on employment or exports, then it has long been the case that sterling borrowing will be permitted up to 30% of the value of fixed assets. I am told this "concession" is still being used;
 - (iii) although this is not an argument that the US will welcome, there are of course no restrictions on sterling borrowing for investment in the UK by subsidiaries of either EEC or Sterling Area registered companies.
4. I agree that the reference is too minor in the context to make it necessary to trouble about any correction.

Yours ever
Graham
G R Archer
North America Department

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D S Cape Esq
WASHINGTON

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18 MAY 1973	
Your reference	
Our reference	AMU 2/5

Date 18 May 1973

My dear Wmald,

PRESIDENT NIXON'S FOREIGN POLICY REPORT

1. Many thanks for your letter of 9 May. Departments here seem very content with the string of Saving telegrams you have sent, summarising the key sections. As you say, the Report is long, and the European press coverage has been rather one-sided. We have enough copies of the full text for detailed study.

2. A difficulty has been the overlap between the Foreign Policy Report and Kissinger's speech in New York. The documents clearly have to be read together, and it looks as though the drafter of the New York speech had a draft of the Foreign Policy Report by his side. James Cable has convened a meeting today to go over the speech and its follow-up in detail and consider what more should be done. If a further need emerges from this meeting, I shall let you know.*

Yours /un
H T A Overton

H T A Overton
North America Department

P.S. * none did.

P.A
JL
22/5

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Reference.....

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Mr Archer NAD

UNITED STATES FOREIGN POLICY 1972

1. In para 2(g) of your minute of 4 May you pointed out the reference in the 1973 Report to UK exchange control policy ("In Europe the UK has adopted a policy of restricting access of foreign-owned firms to the domestic capital market".) (11)
2. The US might have mentioned French administrative restrictions with equal justice. But in so far as we are singled out among European countries, you may like a note on the extent to which the US change is justified.
3. The answer is yes, but with important exceptions. It is true that the borrowing of sterling by foreign (including US) subsidiaries in the UK, either for investment abroad or for investment here, is generally prohibited. But
- (i) the 1972 Budget permitted unlimited sterling financing of investment in UK Assisted Areas;
 - (ii) if a project anywhere in the UK promises "special economic benefits" to the UK - notably on employment or exports, then it has long been the case that sterling borrowing will be permitted up to 30% of the value of fixed assets. I am told this "concession" is still being used.
 - (iii) although this is not an argument that the US will welcome, there are of course no restrictions on sterling borrowing for investment in the UK by subsidiaries of either EEC or Sterling Area registered companies.

T L Richardson
Financial Relations Dept

17 May 1973

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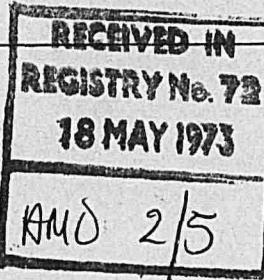
W. Atkin

H T A Overton Esq
North America Department
FCO

Your reference

Our reference

Date 9 May 1973



Dear Hugh,

PRESIDENT NIXON'S FOREIGN POLICY REPORT

(13)

Apart from our telegram No 1490, we have sent you a string of saving telegrams summarising various sections of the report, mainly for the benefit of busy Ministers and those in posts overseas who may not have access to the whole report or time to read it - the Times summary seems to me to concentrate more on Europe and defence than on the other sections. Taken together, these summaries represent a fair account of the whole report, but there are passages which we have not covered since they do not seem to contain anything sufficiently new or of general interest to warrant it. I assume that, in any case, experts in the particular fields will want to see the original text and that you have sufficient copies available for this purpose.

Yours ever,
Donald G. Graham

J A N Graham

P. G.
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(13) MY TELNO 1490 (NOT TO ALL): PRESIDENT NIXON'S REPORT ON FOREIGN POLICY -
SOUTH ASIA

1. The US has a stake in the success of the nations of the sub-continent in reshaping the relations amongst themselves and in rebuilding their relations with the world outside. The US has, however, "no economic or strategic interest in a privileged position." The US has an interest "in seeing that no other great powers attempt this either - and we believe the best insurance against this is the stable regional system founded on the secure independence of each nation in it."
2. We want to see Pakistan consolidate its integrity as a nation ... We want to see Bangladesh flourish as a non-aligned and economically valuable state. We want to join with India in a mutual relationship founded on "equality, reciprocity and mutual interests".
3. The current deadlock is described in factual terms and the report continues: "The United States, from its Vietnam experience has a natural sympathy for Pakistan's desire for the return of its prisoners of war At the same time, recognition of Bangladesh as a new reality in the sub-continent is a key step towards stabilisation of relations in South Asia. However, reconciliation on the sub-continent is not a process the US can directly affect
4. Pakistan

The cohesion and stability of Pakistan are of critical importance to the structure of peace in South Asia ..."to this end since January 1972 we have provided over \$300 million to assist Pakistan's programme of economic recovery." The US stands ready in collaboration with the consortium and the World Bank to assist Pakistan's long term economy and social development. US policy on arms "is to permit the export of non-lethal equipment and of spare parts for equipment previously supplied by the US."

/5. Bangladesh

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5. Bangladesh

"While the US deplored the fact that military solutions were resorted to in 1971, we did not dispute the aspirations of the people of East Bengal for autonomy... . Since January 1972, first under UN auspices and since May also bilaterally, the US has contributed over one-third of a billion dollars to relief and rehabilitation in Bangladesh."

6. India

In 1972 the US had taken steps in the direction of a serious dialogue with India on future relations. The US respects India as a major country. India's relationships with major powers are for it to decide. However, "we have a natural concern that India not be locked into exclusive ties with major countries directed against us or against other countries with whom we have relationships which we value ... India, as a Chairman of the ICC for Laos and Cambodia ... has an opportunity to play an important positive role in consolidating a just peace in Indo-China. ... Fundamentally ... the US and a non-aligned India have no significant conflicting interests ... the US will not join in any groupings or pursue any policies directed against India ... Both the US and India are interested in defining a new basis for a mature economic relationship over the longer term. ... Our dialogue has now begun. ... Our differences in 1971 injected a healthy realism and maturity into the US - Indian relationship. We can deal with each other now without sentimentality and without the illusion that because we are both great democracies our foreign policies must be the same ... Good relations will come not from an identity of policies, but from respect for each other's concerns and a consciousness of the basic interest we share in global peace."

7. The smaller nations of South Asia

The wellbeing and independence of the smaller nations of South Asia are important. ... we seek relationships with each one on the basis of mutual respect. We welcome the improvement in our relations with Sri Lanka... . The US joined with many other nations to assist Afghanistan in its recovery from a two-year drought ... We have assisted Nepal in its efforts to modernise its agriculture and transport. We value contacts with all the smaller countries of the region from Bhutan to the Maldives." The major powers - now including India - have a responsibility to exercise power with restraint so that the smaller nations may look to the future confident of their security and independence.

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8. Agenda for the Future - The following problems remain:

The need for peace and normalisation of relations between India and Pakistan; the future direction of South Asian nations in relation to the rest of Asia, the US, the Soviet Union and China; the need for a new relationship between aid donor and aid recipient; the continuing efforts of Governments to meet the demands and aspirations of their peoples for economic and social development ... The first responsibility ... rests on the peoples and leaders of South Asian nations themselves. The US will support South Asian efforts to address this agenda. The US will contribute to meeting human needs and to the process of development. US policies globally and regionally will support the independence of South Asian nations. The US will seek to assure that the concerns of all South Asians are heard in world councils on the issues of global peace and on all issues that affect them.

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MR WILFORD

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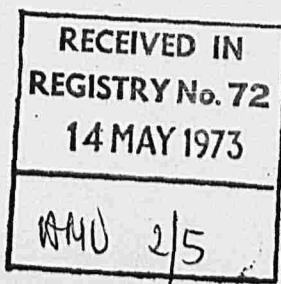
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b/bFROM WASHINGTON
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ALGIERSMY TELNO 1490 (NOT TO ALL): PRESIDENT NIXON'S FOREIGN POLICY REPORT -
ENERGY

The report deals with energy in a short passage in the chapter on Global Challenges of Peace. The major problem, it says, facing the US during the next two decades will be to ensure an adequate supply of energy from secure sources at reasonable prices. This will require broad cooperation between consumer and producer nations and have a major impact on international trade and finance. Domestically the US Administration is planning various steps to develop the US's own resources. It is working also with US private enterprise as appropriate to develop new foreign sources of oil and natural gas, including Soviet and Algerian sources. Finally, it is investigating closer cooperation among producers and consumers. Nuclear energy and other sources of energy are not being neglected and there will be increased expenditure on research. "The energy problem will also have a major impact on our national security and foreign policy planning. Potential vulnerabilities could be created for the United States and our allies as we increase our energy imports in coming years." While new sources are searched for, producers and consumers alike must move towards wider cooperation to ensure the most effective use of fossil fuels.

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MR WHITEHEAD

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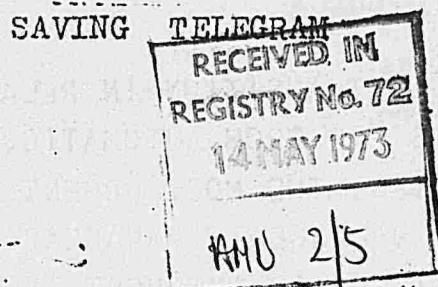
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TO SAVING F C O TELNO 77 SAVING OF 9 MAY 1973, INFO SAVING TOKYO
MOSCOW PEKING SEOUL CANBERRA WELLINGTON HONG KONG UKDEL NATO UKREP
E E C PARIS BONN ROME

MY TELNO 1490 (NOT TO ALL): PRESIDENT NIXON'S REPORT ON FOREIGN
POLICY: JAPAN

1. THE INTRODUCTION TO THE REPORT OBSERVES THAT EVOLUTION
CONTINUED TOWARDS A MORE MATURE AND EQUITABLE PARTNERSHIP WITH
JAPAN. CONFIDENCE IN SHARED PURPOSES HAS BEEN REAFFIRMED. NEVERTHE-
LESS, THE NEW POLITICAL RELATIONSHIP HAS NOT YET BEEN FULLY DEFINED
AND SERIOUS ECONOMIC PROBLEMS CONFRONT THE TWO. RELATIONS WITH
TOKYO WILL BE AN AREA OF PRIME ATTENTION IN THE COMING YEAR.
2. THE MAIN BODY OF THE REPORT SAYS THAT THE IMPACT OF JAPAN'S
ECONOMIC PERFORMANCE ON THE INTERNATIONAL POLITICAL ORDER IS OF
FUNDAMENTAL IMPORTANCE. IT NOTES THE INTERNATIONAL IMPLICATIONS OF
A MAJOR CHRONIC IMBALANCE. IT ALSO NOTES JAPAN'S ECONOMIC (AND
NOW DEVELOPING POLITICAL) TIES WITH THE COMMUNIST POWERS
AND HER ACCELERATING POLITICAL INVOLVEMENT IN ASIA AND THE
WORLD BEYOND (THERE IS A PARTICULAR REFERENCE TO MR HEATH'S VISIT).
JAPAN HAS SHOWN AN INTEREST IN CLAIMING A PERMANENT SEAT ON THE
SECURITY COUNCIL. JAPAN HAS FOR YEARS RELIED ON THE SECURITY TREATY
AND THE AMERICAN NUCLEAR DETERRENT BUT HAS STEADILY IMPROVED HER
OWN CONVENTIONAL DEFENCES (FOLLOWING A REFERENCE TO THE FOURTH
DEFENCE PLAN WHICH STILL REPRESENTS LESS THAN ONE PERCENT
OF JAPAN'S GNP AND ASSUMPTION OF THE DEFENCE RESPONSIBILITY
FOR OKINAWA) "THESE ARE IMPORTANT STEPS TOWARDS SELF-RELIANCE
AND IMPROVED CAPACITY FOR CONVENTIONAL DEFENCE OF ALL JAPANESE
TERRITORY".
3. JAPAN COULD NOT REMAIN UNAFFECTED BY THE TRANSFORMATION OF
THE INTERNATIONAL ORDER AND EROSION OF THE BI-BOLAR SYSTEM. JAPAN
IS NOW A MAJOR FACTOR IN THE INTERNATIONAL SYSTEM. HER CONDUCT
IS A MAJOR DETERMINANT OF ITS STABILITY. THE U S/JAPANESE ALLIANCE
REMAINS CENTRAL TO THE FOREIGN POLICIES OF BOTH COUNTRIES AND THE
U S PLACES THE HIGHEST POSSIBLE VALUE UPON THE PARTNERSHIP.
IN THE YEAR OF EUROPE THE PRESIDENT IS DETERMINED NO LESS TO
STRENGTHEN THE ALLIANCE WITH JAPAN.

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4. A COMPLEX PROCESS OF TRANSITION IN RELATIONS BEGAN IN 1969. HARMONY OF POLICIES IS FAR FROM AUTOMATIC. JAPAN'S POWER HAS BROUGHT HER NEW RESPONSIBILITIES. THE MOST URGENT ISSUE IN RELATIONS IS TO REDUCE THE ECONOMIC IMBALANCE TO MANAGEABLE SIZE IN THE EARLIEST POSSIBLE TIME FRAME. THERE IS INTEREST IN BOTH COUNTRIES IN CREATING MECHANISMS TO MONITOR, ADJUST AND ANTICIPATE TRADE IMBALANCES IN PARTICULAR SECTORS. THE U S SEEKS CO-OPERATIVE SOLUTIONS TO BUILD A NEW WORLD MONETARY AND TRADE SYSTEM AND THE RESPONSIBILITY THAT FALLS ON JAPAN IS NECESSARILY HEAVY. FIRM POLITICAL DIRECTION MUST BE GIVEN TO ECONOMIC RELATIONS (WHICH ARE ANALYSED IN SOME DETAIL). WITHOUT CONSCIOUS EFFORT OF POLITICAL WILL, ECONOMIC DISPUTES COULD TEAR THE FABRIC OF THE ALLIANCE.

5. FOREIGN POLICIES WILL NOT BE IDENTICAL BUT THERE SHOULD BE CONTINUING CONSCIOUSNESS OF THE SHARED INTEREST IN STABILITY.

THE PRESIDENT NEVER BELIEVED THAT US AND JAPANESE INTERESTS IN CHINA POLICIES WERE IN CONFLICT.

NO THIRD COUNTRY NEED FEAR THE JAPAN/U S ALLIANCE. NEITHER JAPAN NOR THE U S NEED FEAR THAT UNITY PRECLUDES A BROADER COMMUNITY OF NORMALISED RELATIONS OR INDEPENDENT APPROACHES. CLOSE CONSULTATION WILL BE CRITICALLY IMPORTANT IN THE YEARS AHEAD.

JAPAN NOW HAS THE OBLIGATIONS OF A MAJOR POWER, BUT THE ALLIANCE CONTINUES TO SERVE AN ESSENTIAL MUTUAL, AND INDEED A GENERAL, INTEREST. IT PROVIDES A STABLE FRAMEWORK FOR THE EVOLUTION OF JAPANESE POLICY.

6. THE U S/JAPAN ALLIANCE IS NOW PRESENTED WITH THE SAME CHALLENGE AS THE ATLANTIC ALLIANCE. POLICIES CANNOT BE CONDUCTED ON THE BASIS OF SELF-INTEREST ALONE. "IT WILL REQUIRE A CONSCIOUS EFFORT OF POLITICAL WILL NOT TO MAKE THE KEY DECISIONS ACCORDING TO SHORT-TERM ECONOMIC OR POLITICAL ADVANTAGE. THIS IS MORE THAN A PROBLEM OF BUREAUCRATIC MANAGEMENT: IT IS A TEST OF STATESMANSHIP."

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TELEGRAM

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TO SAVING FCO TELNO 76 OF 9 MAY 1973 INFO SAVING SAIGON HANOI PEKING
BANGKOK PARIS MOSCOW PHNOM PENH VIENTIANE

MY TELNO 1490 (NOT TO ALL) : PRESIDENT NIXON'S REPORT ON FOREIGN POLICY:
LAOS AND CAMBODIA

1. The report says that the situation in both countries remains fluid. In both, North Vietnam is violating the Vietnam Agreement, whose provisions are clear. The US will not tolerate violations of the Agreement. The US has every interest in seeing peace observed in Laos and attained in Cambodia and will honour whatever agreements are worked out by the peoples themselves.
2. US policy towards Laos and Cambodia has always been closely related to that towards Vietnam. In neither has the US undertaken a primary rôle: it will remain strictly limited. US help has nevertheless been crucial.
3. In Laos, the US welcomes the agreement of February 1973 and hopes that, coupled with the related provisions of the Vietnam agreement, it will secure lasting peace. However, the Laotian communists have adopted delaying tactics and North Vietnam has continued its military activities.
4. On the diplomatic plane the US has continually backed Souvanna Phouma's efforts to negotiate a peace. With the conclusion of a cease-fire in Laos the US looks towards reductions in operations and expenditure there. Limited military activities since the cease-fire have been conducted at the request of the Laotian Government, in response to North Vietnamese and Pathet Lao violations. However, considerable financial assistance will continue to be needed for:
 - a. the provision of military supplies, within the agreement,
 - b. adequate economic aid and
 - c. in the context of Indo-China reconstruction.
5. "If North Vietnam and its allies observe the cease-fire, move towards completion of a definitive settlement and honor the obligations of both the Vietnam and Laos settlements they will find a forthcoming response from the RLG and its friends. If they choose instead to maintain an aggressive course the whole fabric of regional peace will be jeopardized."

/6. In Cambodia,

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6. In Cambodia, the US aims for an independent, neutral and stable country. The US does not insist on any particular political orientation but any course should be the free choice of the people themselves, not one imposed by North Vietnamese arms. Nor should Cambodia be used as a sanctuary or staging area for assaults on South Vietnam. "In the light of these objectives" the US has supported the Cambodian Government, which favours independence, neutrality and stability and is willing to deal with its indigenous opponents at the conference table

7. The military situation remains spotty and at time precarious, but the situation should be kept in perspective. The crucial ingredient is political stability. The leading non-communist groups and personalities have not always worked effectively together and greater efforts for a united front are needed. Recently the government moved to broaden its political base.

8. Recent communist actions raise serious questions about Hanoi's professed desire for early peace in Cambodia. The objective of resumed US air operations is the full implementation of the Vietnam accords and an end to the fighting in Cambodia which threatens the peace in Vietnam. US military activity in Cambodia will halt as soon as there is a cease-fire. But if Hanoi still pursues aggression the US will continue to provide air support and appropriate military assistance. US ground forces will not be introduced.

9. The only feasible solution is an end to the conflict and direct negotiations among the Cambodians themselves. The US fully supports the efforts of the present government to launch this process.

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SIR D. WATSON
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MIPST: PRESIDENT NIXON'S FOREIGN POLICY REPORT; DEFENCE POLICY AND ARMS CONTROL

1. For the most part this chapter of the report maps familiar territory. The most notable features of it are:
- the obvious anti-Jackson slant of the SALT passages. The impossibility of perfect symmetry in the SALT II agreements is asserted, precise numerical parity is stated to be "less important" at present levels of strategic forces and megatonnage is said to be a misleading measure of sufficiency. Against this, the concept of "essential equivalence" is twice mentioned and the importance of limiting technological competition strongly stated (though no specific proposals are advanced). The passages on technological limitations can be read as implying a rather more ambitious US aim in the SALT II limitations than has at times seemed likely, though it remains to be seen what the Administration actually decide to propose;
 - the importance of limited strategic nuclear options is set out more fully than in the past, reflecting no doubt the progress of the Administration's studies. The arguments are well and clearly stated and are no doubt aimed in part at those who fear that the US nuclear umbrella is bound to become less credible in the age of parity;
 - the new formulation of essential equivalence "in systems common to both sides" as the aim for SALT II agreements can usefully be said to exclude FBS;
 - the impossibility of reducing the current US defence programme without sacrificing commitments is directly stated and argued. This part of the report is clearly intended for the eyes of Congressional critics of the defence budget.
 - the reference to CW is notably lacking in a sense of urgency.
 - the subject of burden-sharing is not treated in the defence policy section, having been a main theme of the introduction and the chapter on Alliance policy (my telegrams nos 1490 and 70 Saving).

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(13) MY TELNO 1490 (NOT TO ALL): PRESIDENT NIXON'S FOREIGN POLICY REPORT:
DEFENCE POLICY AND ARMS CONTROL

1. On defence policy the report presents the President's constant argument that world peace depends on a judicious balance between the maintenance of a strong defence posture in an age of strategic parity and incipient détente and the pursuit of arms control agreements. Defence policy should constantly be reviewed in relation to the threat. But détente might not prove durable and security must not be diminished so as to tempt the adversary. Allies of the US should play a more prominent rôle, without the US allowing confidence in its reliability to diminish. Much of this section is taken up with a review of the Administration's achievements of the past four years, an account of current US defence programmes and an analysis of arms control developments (including MBFR).

2. In strategic policy the President emphasises the need to plan now for a strategic force adequate to meet the threats of the next decade, assessed in relation to Soviet programmes. The report reiterates the President's policy of strategic sufficiency, which cannot be measured only in terms of megatonnage, but depends on technology and the survivability of strategic systems. It describes the Administration's view that credible deterrence in the 1970s requires that sole reliance not be placed on the threat of a massive, counter-city strike and that the US should be capable of executing a range of limited strategic nuclear options. Such options would not require drastic changes in US forces, which (it is later stated) are not designed to perform a disarming first strike. But the existence of such options could enhance deterrence and, in the event of war, provide an additional means of preventing escalation.

3. The report emphasises the importance of conventional forces both in strategic deterrence and in the management of regional conflicts (eg Vietnam and India/Pakistan). After the changes of the last four years, US general purpose forces have reached the absolute minimum required to meet US commitments and provide a sufficient deterrent. Current deployments should not be cut unilaterally. The West European /contribution

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contribution to NATO and the EDIP and other improvement programmes are referred to. The case for a modest programme of security assistance is spelt out, based on the success of past policy. The need to modernise US forces is stressed, as are the attendant management and financial burdens. The high cost/low cost procurement philosophy is described as a means to obtain sufficient quantities of equipment without undue sacrifice of capabilities. The Secretary of Defense is charged to give particular attention to spiralling weapons and manpower costs.

4. On arms control the President recites the negotiating history of the Phase I SALT agreements and defends them as clearly in the US security interest. US forces are said to be completely sufficient. The agreements have great political significance in that the two countries had obviously chosen to base their relations on restraint, co-operation and growing confidence. "We are confident that the Soviet leaders will not lightly abandon" the course which led to the Moscow summit. "We will not change direction without major provocation."

5. On SALT II, the report states the complexity of defining a balance which preserves "an essential equivalency" in strategic forces. The impact of unconstrained technological developments has particularly to be considered, since competition in technology could lead to development of a first strike capability. Perfect symmetry would not be possible in a new agreement. To the extent that one side retained certain technological capacities, the other side had to receive similar rights or some form of compensation in other areas of technology. In this connection the report refers to the current imbalance in MIRV technology. It also mentions the problems of verifying limitations on technological capabilities. In an indirect reference to non-central systems (including FBS) it says "We will not make agreements that reduce the security of other countries. Nor can we permit threats to our Allies to develop unchecked because of SALT agreements. Such factors ... delimit the area for negotiation". Among other objectives, a future SAL agreement should establish "an essential equivalence in strategic capabilities among systems common to both sides"; and maintain the survivability of strategic forces in the light of known and potential technological capabilities.

16. The report

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The report poses a number of questions in order to illustrate the complexities of MBFR. As between the possible approaches of proportionately equal reductions, reductions to equal levels and mixed asymmetrical reductions, it indicates plainly a preference for the second. The report then emphasises the importance of reaching agreement in the Alliance on a security concept which, rather than issues of negotiating tactics and "abstract political formula's", can guide the negotiators. Once this has been done, the technical analysis could be rationally translated into proposals.

7. There are brief passages on chemical arms control ("the major issue is whether competition will continue or whether, as in SALT, some partial measures can be adopted to facilitate more comprehensive measures"); on a comprehensive test ban (on which the need for on-site inspection is affirmed); and on regional arms control arrangements.

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MY TELEGRAM NO. 1490 (NOT TO ALL):

PRESIDENT NIXON'S REPORT ON FOREIGN POLICY: AFRICA.

1. POLICY GOALS IN AFRICA ARE UNCHANGED: POLITICAL STABILITY, FREEDOM FROM GREAT-POWER INTERVENTION, AND PEACEFUL ECONOMIC AND SOCIAL DEVELOPMENT.

ECONOMIC.

2. PRINCIPAL ROLE FOR THE US IS IN SUPPORT OF ECONOMIC DEVELOPMENT, PROMPTED BY HUMANITARIAN CONCERN, THE POSSIBILITY OF EXPANDING MARKETS FOR US GOODS AND THE AVAILABILITY OF ENERGY RESOURCES, PARTICULARLY IN LIBYA, NIGERIA AND ALGERIA. DEVELOPMENT ASSISTANCE TO AFRICA HAS BEEN INCREASED IN EACH OF THE LAST 3 YEARS AND AMOUNTED TO DOLLARS 600 MILLION IN 1972. DIRECT PRIVATE INVESTMENT HAS ALMOST DOUBLED IN THE LAST 4 YEARS, REACHING A TOTAL OF DOLLARS 4 BILLION. TRADE EXPANSION HAS GROWN 30% IN THE LAST 3 YEARS BUT, AT DOLLARS 3.1 BILLION IN 1972, IS STILL MODEST IN SCALE. THE GROWTH OF PREFERENTIAL ARRANGEMENTS DISCRIMINATING AGAINST AMERICAN PRODUCTS IN BOTH EUROPEAN AND AFRICAN MARKETS IS NATURALLY OF CONCERN TO THE US.

3. THE US CONTINUES TO RESPOND TO MANY OF AFRICA'S NEEDS WITH HUMANITARIAN ASSISTANCE.

STABILITY.

4. NON-INTERFERENCE IN AFRICAN INTERNAL AFFAIRS REMAINS A CARDINAL PRINCIPLE OF US POLICY. AFRICAN NATIONS HAVE SHOWN THEIR DETERMINATION TO SAFEGUARD THE PEACE OF THEIR OWN CONTINENT. THE OAU DESERVES SPECIAL MENTION IN THIS CONTEXT. BUT THERE WERE ALSO SERIOUS DISAPPOINTMENTS IN 1972. NO AFRICAN LEADERS SPOKE OUT AGAINST THE KILLINGS IN BURUNDI. IN UGANDA THE ATTACKS ON THE INTELLECTUAL CLASS AS WELL AS THE EXPULSION OF ASIANS WERE DEPLORABLE TRAGEDIES.

/SOUTHERN AFRICA

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SOUTHERN AFRICA.

5. SELF DETERMINATION AND RACIAL EQUALITY ARE FUNDAMENTAL. THE DEHUMANISING SYSTEM OF APARTHEID HAS BEEN REPEATEDLY CONDEMNED BY THE US BUT A VIOLENT SOLUTION TO THESE PROBLEMS IS UNACCEPTABLE. AMERICAN COMPANIES OPERATING IN SOUTH AFRICA HAVE A ROLE TO PLAY IN RAISING THE SKILLS AND PARTICIPATION OF THE NON-WHITE MAJORITY. CONTACT WITH ALL SECTIONS OF SOUTH AFRICAN SOCIETY IS IMPORTANT IN ENCOURAGING THEM TO FOLLOW A COURSE OF MODERATION. THE US CONTINUES TO ENFORCE THE EMBARGO ON ARMS SALES TO SOUTH AFRICA AND THE PORTUGUESE TERRITORIES. THE US ADHERES STRICTLY TO THE UN PROGRAMME OF SANCTIONS AGAINST RHODESIA "AS FAR AS PERMITTED BY DOMESTIC LEGISLATION EXEMPTING STRATEGIC MATERIALS".

THE FUTURE OF US/AFRICAN RELATIONS.

6. IT IS IMPORTANT THAT POLITICAL TIES SHOULD BE MAINTAINED. "I HOPE TO BECOME THE FIRST AMERICAN PRESIDENT TO VISIT BLACK AFRICA WHILE IN OFFICE". THE US HAS AN INTEREST IN THE INDEPENDENCE AND NON-ALIGNMENT OF AFRICAN COUNTRIES. "WE ASK ONLY THAT THEY TAKE TRULY NON-ALIGNED POSITIONS ON WORLD ISSUES". SUPPORT FOR ECONOMIC PROGRESS IS THE MOST TANGIBLE CONTRIBUTION THE US CAN MAKE TO AFRICA'S FUTURE. THE US WILL CONTINUE TO ENCOURAGE EVOLUTIONARY CHANGE IN SOUTHERN AFRICA.

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PEKING PHNOM PENH BANGKOK VIENTIANE OTTAWA TOKYO

MY TELNO 1490. PRESIDENT NIXON'S REPORT ON FOREIGN POLICY: VIETNAM

1. The attainment of an honourable settlement in Vietnam was "the most satisfying development of the year", but much work remains to consolidate peace in Indo-China.

2. The body of the report describes in detail and in familiar terms the Administration's attempt to end the Vietnam war and the factors governing policy. It was "a basic philosophic clash" and not the failure to find precise formulae that delayed a negotiated settlement with the communists for four years.

3. The essential message for the North Vietnamese leaders, conveyed during Dr Kissinger's February trip to Hanoi, is that "We do not assume Hanoi will give up its long-range goals. We do expect it to pursue those goals without using force". Hanoi has a choice of exploiting the agreement and pressing its objectives in Indo-China ("which would risk revived confrontation with us ... destroy the chances for a new and constructive relationship with the US, including economic assistance"); or a choice of pursuing its objectives peacefully, allowing historical trends of the region to assert themselves. This would mean observance of the Vietnam settlement and the removal of foreign forces on both sides from Laos and Cambodia. It would transform years of military conflict ... into political struggle. It would enable the US and the DRV to normalise relations. "If Hanoi follows this path the US will abide by whatever the historical process produces in Indo-China."

4. Economic assistance, to be effective, must include North Vietnam. The programme will be pursued with determination. Funds will not be drawn from domestic programmes. However, the Administration will observe constitutional requirements "both in letter and in spirit" and consult closely with the Congress. The US will not provide aid to North Vietnam if the latter violates the agreement.

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5. The US will remain a steady friend to South Vietnam and will continue to deal with its government as the legitimate representative of the South Vietnamese people, while supporting efforts by the South Vietnamese parties to achieve reconciliation and shape their political future. The US will provide replacement military assistance within the terms of the agreement ("We expect our friends to observe the agreement ..."). The US will continue to contribute generously to South Vietnam's economic rehabilitation and development and will help her to become self-sustaining.

6. The 12-nation conference underlined the reality that all countries have a stake in peace in Indo-China. "We expect the nations that signed the Act of the Conference to live up to their obligations. We will take their performance into account in the conduct of our bilateral relations".

7. The peace in Vietnam remains fragile and the overall record so far has been "less positive" than hoped. The most ominous aspect is continued infiltration of North Vietnamese troops. Whether this is a prelude to another offensive is not clear; what is clear is that it must cease. In addition, the US expects North Vietnam to withdraw its forces from Laos and Cambodia in the near future and to comply with the other provisions regarding those countries.

8. If the conflict flares up again there will be renewed suffering for the people of the area, the danger of another war, and "a threat to the improvement of relations among the major world powers". Accordingly, the US looks to outside powers to lend a moderating influence. There can be no reasonable justification for sending Hanoi large arms shipments now that there is a negotiated settlement. Restraint in the North will be matched by restraint in the South. "There cannot be a global structure of peace while conflict persists in Indo-China."

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(13) MY TELNO 1490 (NOT TO ALL). PRESIDENT NIXON'S REPORT ON FOREIGN POLICY : CHINA

1. The report recalls the Administration's view at the outset that only if China's weight was reflected in the international system would she have the incentive and sense of shared responsibility to maintain peace. Also, US policies could be more flexible if the US did not assume the permanent enmity of China. The visit of February 1972 was an historic turning point. China is now becoming fully engaged with the US and the world, but the process is not inexorable and both countries will still have to exercise restraint and contribute to a more stable environment.
2. The Peking summit was needed to set a new course. The frankness of the private talks was reflected in the Shanghai communique. In addition to genuine differences, there were broad principles of international relations to which both sides subscribed.

3. The report recalls that with respect to the relationship of Taiwan to the mainland the US reaffirmed, in the communique, its interest in a peaceful solution of the question by the Chinese themselves. Elsewhere the report notes that Taiwan is a leading trading nation. While simultaneously moving towards the goal of normal relations with Peking, the US has maintained a policy of friendship for the fifteen million people of Taiwan. "We retain diplomatic ties, commitments under the MDT of 1954 and close economic contacts with them."

4. Summing up progress since the Peking visit, the report says that growth of bilateral trade (92.5 million in 1972) has exceeded expectations. The report notes the formation of a National Council for US/China trade and the development of exchanges in various fields.

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5. Dr Kissinger's visit of February 1973 marked a decisive move from the conceptual to the concrete. Final settlement of claims will open the way for further expansion of our bilateral commercial relations. As regards liaison offices "practically, the offices will enable us to deal with each other directly in Washington and Peking. Symbolically, they underline the progress made to date and our joint intention to proceed on the path we have chosen".

6. Contributory factors to this advance included: the mutual decision that shared interests in bettering relations outweighed differences on specific questions; the discovery of mutual reliability; the desire on both sides to institutionalise the new relationship; and, with the achievement of a negotiated settlement in Vietnam, the removal of the major obstacle to improved relations.

7. "We are resolved to continue on this course". However, no illusions are harboured that its development is inexorable. There is a continuing need for "meticulousness and reliability". Ideologies will continue to differ profoundly, being translated into opposing policies on some issues. In the longer term new factors could arise to test the relationship.

8. Nevertheless, confidence is expressed that relations will continue to develop in a positive direction, in full knowledge of differences, but because a changed relationship serves fundamental national purposes. The US maintains its historic concern for an independent and peaceful China, which is in the interest of regional and world stability.

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(13) MY TELNO 1490 (NOT TO ALL): PRESIDENT NIXON'S FOREIGN POLICY REPORT - EUROPE AND THE ATLANTIC ALLIANCE.

THE REPORT MAKES A POINT OF DENYING THAT THE U S HAS DEVOTED MORE ATTENTION TO THE DEVELOPMENT OF RELATIONS WITH THE SOVIET UNION AND CHINA THAN TO AMERICA'S ALLIES. THE RELEVANT CHAPTER BEGINS " NO ASPECT OF U S FOREIGN POLICY COMMANDS GREATER ATTENTION AND CARE THAN OUR RELATIONS WITH WESTERN EUROPE", AND CONCLUDES WITH A PROMISE THAT " THE U S WILL NEVER COMPROMISE THE SECURITY OF EUROPE OR THE INTERESTS OF OUR ALLIES", SINCE " ALTHOUGH THE FORMS [OF OUR ALLIANCES] MUST BE ADAPTED TO NEW CONDITIONS, THESE TIES ARE ENDURING . . . THERE IS NO HIGHER OBJECTIVE THAN THE STRENGTHENING OF OUR PARTNERSHIPS".

2. THE REPORT DECLARIES THAT 1973 HAS BEEN NAMED AS THE YEAR OF EUROPE BECAUSE CHANGES IN THE INTERNATIONAL ENVIRONMENT POSE NEW PROBLEMS AND OPPORTUNITIES. " IN ECONOMICS, MEMBERS OF THE EUROPEAN COMMUNITY, INDIVIDUALLY AND COLLECTIVELY, STRESSED REGIONAL AUTONOMY, WHILE THE U S REMAINED DEDICATED TO THE INTEGRITY OF AN OPEN INTERNATIONAL SYSTEM", AND " FUNDAMENTAL PROBLEMS PERSIST IN ECONOMIC RELATIONS WITH THE EUROPEAN COMMUNITY. . . THOUGH EUROPEANS HAVE BEGUN TO PURSUE A COLLECTIVE ECONOMIC POLICY, THEIR LACK OF A COMPARABLE DEGREE OF POLITICAL UNITY HANDICAPS THE RESOLUTION OF ECONOMIC ISSUES WITH THE UNITED STATES." THE QUESTION IS POSED WHETHER " THE PRINCIPLE OF ATLANTIC UNITY IN DEFENCE AND SECURITY CAN BE RECONCILED WITH THE EUROPEAN COMMUNITY'S INCREASINGLY REGIONAL ECONOMIC POLICIES" AND IT IS ARGUED THAT " THE OVERRIDING TASK IS TO DEVELOP A BROADER POLITICAL PERSPECTIVE. . . THAT ENCOURAGES RESOLUTION OF DIFFERENCES FOR THE SAKE OF LARGER GOALS."

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3. AFTER REFERENCE TO THE FORTHCOMING TRADE NEGOTIATIONS, WHERE THE U.S WILL SEEK TO "RESTORE THE INTEGRITY OF A MORE OPEN TRADING SYSTEM. . . AND TO HALT THE DRIFT TOWARDS ECONOMIC PROTECTIONISM ON BOTH SIDES OF THE ATLANTIC" (THERE ARE CONSTANT REFERENCES THROUGHOUT THE REPORT TO THE ADVERSE EFFECTS OF THE EUROPEAN COMMUNITY'S PREFERENTIAL TRADING ARRANGEMENTS WITH THE LESS DEVELOPED COUNTRIES), THE REPORT REFERS TO THE REVIEW OF N A T O'S POLICIES IN 1969/70 AND SUBSEQUENT EUROPEAN FORCE IMPROVEMENTS. BUT WHILE THESE "ARE THE MOST IMPORTANT ASPECT OF SHARING THE DEFENCE BURDEN", STEPS MUST ALSO BE TAKEN TO DEAL WITH THE FOREIGN EXCHANGE COSTS ARISING FROM THE STATIONING OF U.S FORCES IN EUROPE. WHILE THE FEDERAL REPUBLIC OF GERMANY HAS OFFSET A LARGE PART OF THESE IN THE PAST, THE ALLIANCE AS A WHOLE SHOULD EXAMINE THIS PROBLEM THIS YEAR AND "MOVE TOWARDS A LASTING SOLUTION UNDER WHICH BALANCE OF PAYMENTS CONSEQUENCES FROM STATIONING U.S FORCES IN EUROPE WILL NOT BE SUBSTANTIALLY DIFFERENT FROM THOSE MAINTAINING THE SAME FORCES IN THE UNITED STATES".

4. THE REPORT REAFFIRMS THE NEED FOR THE U.S TO MAINTAIN SUBSTANTIAL FORCES IN EUROPE BUT POSES A NUMBER OF QUESTIONS WHICH MUST BE STUDIED IN RELATION TO N A T O'S CONVENTIONAL AND NUCLEAR STRATEGY. N A T O MUST REACH AGREEMENT ON A COMMON SECURITY CONCEPT AS A PRELIMINARY TO M B F R, WHICH "MORE THAN ANY OTHER SINGLE ISSUE. . . CRYSTALISES THE BASIC ISSUE OF RECONCILING ALLIANCE UNITY AND NATIONAL DIVERSITY". EUROPEAN CONCERN HAS NOT BEEN ALLEVIATED BY REPEATED AMERICAN REASSURANCES. MUTUAL CONFIDENCE WITHIN THE ALLIANCE WILL DEVELOP ONLY THROUGH AN AGREEMENT ON THE BASIC SECURITY FRAMEWORK OF THE NEGOTIATIONS.

5. THIS SECTION OF THE REPORT CONCLUDES BY REAFFIRMING U.S SUPPORT FOR EUROPEAN UNITY BUT CALLING FOR "A NEW AFFIRMATION OF OUR COMMON GOALS TO GIVE POLITICAL DIRECTION TO OUR ECONOMIC

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NEGOTIATIONS". THE U.S. PROMISE NOT UNILATERALLY TO WITHDRAW ITS FORCES FROM EUROPE IS REPEATED BUT THERE MUST BE AGREEMENT ON OUR COMMON DEFENCE REQUIREMENTS AND ON THE CONTRIBUTIONS EACH ALLY AND THE ALLIANCE COLLECTIVELY MUST MAKE TO PRESERVE OUR SECURITY IN NEW CONDITIONS."

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PRESIDENT NIXON'S FOREIGN POLICY REPORT -- THE SOVIET UNION AND EASTERN
 EUROPE

1. The report reaffirms that in negotiating with the Soviet Government the President had sought to create on both sides vested interests in restraint and in the strengthening of peace. It claims that during the Summit Meeting in Moscow last May "the US and the Soviet Union took a decisive turn away from the confrontations of the past quarter century".

2. In reviewing the agreements reached, the report speaks of the extension of MFN to the Soviet Union as "a logical and natural step .. not a unilateral concession, but a means to expand commerce". The US is also prepared to consider "possible long term cooperation ventures", in particular the joint development of Soviet natural resources such as natural gas. "The role of our Government should be to establish a framework within which private firms might work out specific contracts". Such ventures would not create a one-sided dependence by the US on Soviet resources, but an interdependence between the two economies which would provide "a continuing incentive to maintain a constructive relationship". The declaration of principles signed at Moscow was "a code of conduct, which if observed can only contribute to worldwide peace". "The leaders of the Soviet Union are serious men. Their willingness to commit themselves to certain principles for the future must be taken as a solemn obligation. For our part we are prepared to adhere to these principles, and hope that the Soviet leaders have the same serious intention."

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3. Finally, in reviewing the tasks ahead, the report refers to SALI, OSCE, MBFR, the Middle East where "we have a common interest in averting confrontation", and the economic sphere where "we are discovering areas where the American and Soviet economies are complementary". By building on the achievements of the Summit the "US and the Soviet Union can move from co-existence to broad cooperation, and make an unparalleled contribution to world peace".

4. The report notes that the improvement in relations with the Soviet Union during 1972 had also created a better atmosphere for US relations with the countries of Eastern Europe. But it stresses that the US Government does not regard its relations with those countries as a function of the US' relations with Moscow. "We reject the idea of special rights or advantages for outside powers in the region". Recent developments are catalogued and the US Administration's readiness is declared "to establish constructive relationships on a reciprocal basis" frankly acknowledging differences in social, economic and political systems.

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SAVING TELEGRAM

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TO SAVING FCO TEINO SAVING 67 OF 8 MAY 1973 INFORMATION SAVING TO MEXICO CITY, GUATEMALA CITY, GOVERNOR BRITISH HONDURAS, SAN SALVADOR, TEGUCIGALPA, MANAGUA, SAN JOSE, PANAMA CITY, BOGOTA, CARACAS, GEORGETOWN, QUITO, LIMA, BRAZILIA, LA PAZ, ASUNCION, MONTIVIDEO, BUENOS AIRES, SANTIAGO, BRIDGETOWN, CASTRIES, SANTO DOMINGO, KINGSTON, HAVANA AND GOVERNOR BAHAMAS.

(13) My telno 1490 (not to all): President Nixon's Foreign Policy Report - Latin America.

1. President Nixon states that he sought at the outset of his first term to avoid two basic flaws of past performance: taking Latin America for granted and launching a crusade which promised to lead the peoples of the hemisphere to prosperity and happiness under U.S. guidance and U.S. formulae. He had decided instead to develop a more healthy and mature relationship with the U.S.'s neighbours in the western hemisphere, of a kind which would be consistent with the Nixon doctrine, with Latin America assuming increasing responsibility for ideas, initiative and actions and the U.S. continuing as an active but less dominant partner. The United States had therefore deliberately reduced its "visibility" in the hope that the Latin American countries would play more active roles.

2. The President concedes that the Administration's concentration on other areas of the world had produced understandable feelings of neglect among Latin Americans, used to dealing with the U.S. on intimate basis, and that his low key approach had been criticised by old friends. He believed, nevertheless, that many Latin American governments have moved towards a greater self-reliance as a result

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of US policies which despite failings have helped to provide the basis for a stronger, healthier and more realistic inter-American relationship. The U.S. must do still better therefore and the Administration's policy will continue to be based on the five basic principles announced in October 1969.

3. The President also makes the following points:

a. The U.S. has been displaced as the main supplier of military equipment to Latin America by countries in Europe (\$1.2 billion of European arms supplied in the last four years, six times more than from the U.S.). This was mainly due to the unilateral restriction imposed by the U.S. Congress. Congress should review these provisions since they hurt the U.S. more than anyone else and damage U.S. relations with Latin America.

b. The U.S. will not seek a reconciliation with Cuba as it has done with China and the Soviet Union. Though Havana's rhetoric in support of violent revolution has diminished somewhat targets for subversion are being selected with greater care, Cuba is still training revolutionaries and exporting them to other countries together with money and arms and there is still a Soviet military presence in Cuba. Moreover the U.S. is committed to act in concert with the O.A.S.

c. The various inter-American organisations should be reviewed to see whether they serve the current interests of the Americans. The U.S. will actively participate in the OAS review of political cooperation and economic and social development in the hemisphere. Some governments have unfortunately used cooperative bodies as arenas for confrontation (eg the Security Council Meeting in Panama). There is also a tendency to develop Latin American positions, often on the basis of the lowest common denominator, which fail to take a realistic account of viewpoints strongly held by the U.S.

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- d. The U.S. will soon "present Mexico with a permanent, definitive and just solution to the problem of high salinity of the Colorado river water diverted to Mexico."
- e. The Law of the Sea Conference is the appropriate forum for resolving disputes over fishing rights which benefit neither party and exacerbate relations between the U.S. and some Latin American countries. In urging Congress to reconsider legislation affecting U.S. relations with Latin America the President specifically asks if legislative restrictions in the U.S. deter governments from seizing fishing boats or merely make solutions to such problems more difficult, adding his own belief that current restrictions are too rigid and deprive the Administration of the flexibility needed to work out solutions.
- f. The U.S. is determined to improve its trading relations with Latin America, to legislate for preferential access to U.S. markets for products from developing countries, and to consult Latin America about the monetary and trade reforms and their shared interest in preventing the rise of trading blocs which would inhibit the growth of U.S. and Latin American commerce.
- g. The Administration will make a strong effort to persuade Congress to meet the U.S. pledge to the I.D.B. The Report notes that two-thirds of U.S. aid to Latin America is now disbursed through multilateral agencies and only one third bilaterally, as compared with the mid-1960's when the proportions were reversed.
- h. The rate of growth of U.S. investment in Latin America has been less than elsewhere. This is due in part to expropriations which worry investors even when there is fair compensation. U.S. policy on expropriation remains unchanged. Seizure of an American firm without reasonable efforts to make effective payment will result in the termination of new bilateral economic assistance and refusal of U.S. support for loans from international development institutions.

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i. The President, to emphasise his personal interest, intends to consult other Presidents in the hemisphere and to make at least one visit to Latin America himself.

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MIPT: PRESIDENT NIXON'S FOREIGN POLICY REPORT: MIDDLE EAST

There are no new points of substance in the report but changes of emphasis are detectable.

2. It is particularly noticeable that in contrast to Mr Rogers's earlier Foreign Policy report, the President has not committed himself to any initiative in the current year, though he again emphasises the higher priority given to the problem by the US. The underlying intention appears to be to restate the importance of finding a settlement without allowing the parties to think that they can leave it to the US to find the key to negotiations for them.

3. It may also be significant that, although the idea of an interim agreement is still given prominence, the question of linkage is singled out for special mention with the comment that the Administration is "open-minded" on this problem and on what role it might play.

4. The section on Arab/Israel, taken as a whole, is unspecific and non-committal and gives the impression that the Administration is anxious to keep its options open for as long as possible.

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(B) MY TEINO 1490 (not to all): PRESIDENT NIXON'S FOREIGN POLICY REPORT

Following are the main points on Middle East

Arab/Israel

2. Peace cannot be imposed from outside but a settlement is in the national interest of the US: "No other crisis area ... has greater importance or higher priority for the US".
- four
3. Over the last years the US has taken a series of initiatives. One result was the restoration of the ceasefire along the Suez Canal. But there has been no success in establishing a negotiating process. The mounting spiral of terrorism is a serious threat both to the ceasefire and to the prospects for any political solution.
4. American objectives remain to move the Arab/Israel dispute from confrontation to negotiation and then towards conditions of peace as envisaged in Resolution 242. The US is open-minded about methods, but a step by step approach still seems the most practical course although the first step cannot be considered in isolation. The legitimate interests of the Palestinians must also be considered. Implementation can occur in stages but a comprehensive settlement must cover all the parties and all the major issues.

5. Great power involvement is a complicating factor. The Moscow Summit contributed to a reduction of the danger of confrontation but this danger still exists. The US has no interest in excluding the Soviet Union from contributing to a settlement or from playing a significant role in the Middle East.

Other Aims

6. The US aims to rebuild its political relations with those Arab states with whom diplomatic relations were severed in 1967. Progress has been made, notably with the YAR and the Sudan.

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7. The US is concerned that the ties between the European Community and the Middle East and North Africa should not embody discriminatory arrangements which adversely affect US trade. Assurance of a continuing flow of Middle East energy resources is increasingly important for the US, Western Europe and Japan. This should be considered as a common interest. Both producer and consumer nations stand to gain from a stable economic relationship.

Regional Framework

8. Stability depends on the strengthening of regional forces for cooperation. The Lower Gulf States have made a remarkably smooth transition from their old relationship with Britain. The greater responsibility assumed by Iran and Saudi Arabia help to enhance the area's stability. Increasing mutual assistance among Middle East nations is a helpful trend.

Agenda for the Future

9. The US will address itself to the following tasks:

- (i) a settlement of the Arab/Israel conflict, though "there must be realism on all sides about what is achievable";
- (ii) avoidance of confrontation between the great powers coupled with outward-looking economic relations between the Middle East, North Africa, the EEC and the US;
- (iii) restoration of bilateral relations where these have been severed;
- (iv) economic assistance, particularly technical assistance.

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PRESIDENT NIXON'S FOREIGN POLICY REPORT

Excerpts from President Nixon's foreign policy report to Congress of 3 May are attached: they deal with the sections of his report covering Europe and the Atlantic Alliance.

2. Most of it has a very familiar ring. But there are one or two points worth drawing out:

a. Burden-sharing:

The paragraphs from the bottom of page 3 to half-way down page 4 are worth reading. The US philosophy on this point is clearly stated at the end.

b. The role of US forces:

There is a welcome statement about the importance of conventional forces in European defence: "In the event of hostilities, a weaker conventional defence could confront the Alliance with the choice of either capitulating or using nuclear weapons immediately". The report goes on to say that it is unlikely that the Europeans alone "could maintain a strategic balance against the enormous nuclear power of the Soviet Union".

c. The strategy:

It is suggested that the Alliance should proceed on three parallel courses: to continue the effort to bring forces to the level and quality required for the doctrine of flexible response; "to review the strategic options involved in conducting a nuclear defence if necessary"; and to prepare a politico/military framework bringing together defence planning with the negotiation of mutual and balanced force reductions.

d. The CSCE:

There is an interesting description of US thinking on the CSCE (page 7).

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e. MBFR:

The timetable for MBFR is firmly set out on page 8. Contrary to Reuter reports of the speech, it is made clear enough that the Americans expect negotiations to take place in the autumn.

3. The couple of paragraphs at the end about the world outlook are an encouraging restatement of the importance of the Atlantic relationship and the US commitment to Europe.

Brimelow

C C C Tickell

Western Organisations Department

7 May 1973

Copied to

Private Secretary

Mr Goulding

Mr Elliott

Sir T Brimelow

Mr Wright

Mr Rose

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Mr Overton

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Mr McLaren

Mr Ramsay

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EMBARGOED FOR RELEASE AT 2300 BST, MAY 3, 1973PRESIDENT NIXON'S FOREIGN POLICY REPORTEUROPE AND ATLANTIC ALLIANCE

Following are excerpts from the Europe and Atlantic Alliance section of President Nixon's Foreign Policy Report to the Congress:

(Begin excerpts)

ATLANTIC PARTNERSHIP AND EUROPEAN UNITY

Throughout the post-war period, the United States has supported the concept of a unified Western Europe. We recognized that such a Europe might be more difficult to deal with, but we foresaw manifold advantages. Unity would replace the devastating nationalist rivalries of the past. It would strengthen Europe's economic recovery and expand Europe's potential contributions to the free world. We believed that ultimately a highly cohesive Western Europe would relieve the United States of many burdens. We expected that unity would not be limited to economic integration, but would include a significant political dimension. We assumed, perhaps too uncritically, that our basic interests would be assured by our long history of co-operation, by our common cultures and our political similarities.

The Economic Dimension. The advance toward the goal we supported for so long has, in fact, created a new dimension in European-American relations. Mutual prosperity developed on the principle of relatively free trade. As the European Community progressed, however, it designed policies to protect its own special interests. Moreover, its growing economic weight stimulated other States to protect their access to that thriving market of more than 250 million persons. The prospect of relatively closed trading systems within Europe, notably in agriculture, and in preferential arrangements with third countries, was proceeding as the United States was suffering an increasingly unfavourable balance of payments.

In the area of monetary policy, the European Community has to a large degree been preoccupied with the search for a reasonable path toward internal monetary unity. At the same time, the growing strengths of some of its national economies -- and relative weakness of others -- have both impeded that progress and limited the will and ability of Europe to deal effectively and expeditiously with fundamental reform of the international monetary system.

The Europeans have thus been pursuing economic regionalism; but they want to preserve American protection in defence and an undiminished American political commitment. This raises a fundamental question: can the principle of Atlantic unity in defence and security be reconciled with the European Community's increasingly regional economic policies?

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We have also faced challenges in redefining our relationships with the other North American member of the Atlantic Alliance -- Canada. Our north neighbour has been reassessing its position in the world just as we have been establishing a new view of our own. Frank reappraisals of our respective interests have brought some new problems to the fore, particularly in economic relations between the two countries. When I visited Ottawa in April 1972, I reaffirmed with Prime Minister Trudeau our common belief that mature partners must have autonomous, independent policies and explored with him how we might work together while respecting Canada's right to ensure its own identity and to chart its own economic course.

A Comprehensive Approach. We thus face a new situation. There are elements of economic conflict, and there has been a lack of direction. Concrete economic issues, not abstract principles, must be addressed. But if economic issues are confronted in isolation, or from purely technical perspectives, each party will try to protect its own narrow commercial interests. The outcome will be a deadlock, with the prospect of constant conflict.

The overriding task is to develop a broader political perspective from which we can address these economic questions, one that encourages reconciliation of differences for the sake of larger goals. Each partner will have to subordinate a degree of individual or regional autonomy to the pursuit of common objectives. Only by appealing to interests that transcend regional economic considerations can inevitable deadlocks be broken.

We have begun to move toward a comprehensive European-American dialogue. An essential first step was the European decision on the nature and scope of the relations with the United States. Last October, the leaders of the European Community met to chart their long-term course. The keynote was sounded by President Pompidou:

"Our links with this great country, the world's foremost economic power, with which eight of our countries are united within the Atlantic Alliance, are so close that it would be absurd to conceive of a Europe constructed in opposition to it. But the very closeness of these links requires that Europe affirm its individual personality with regard to the United States. Western Europe, liberated from armies thanks to the essential contribution of American soldiers, reconstructed with American aid, having looked for its security in alliance with America, having hitherto accepted American currency as the main element of its monetary reserves, must not and cannot sever its links with the United States. But neither must it refrain from affirming its existence as a new reality."

This was an invitation to begin the complex process of redefining our basic partnership, a goal we had set in 1969. Accordingly, on October 27th, I strongly endorsed the European Community declaration...

The stage is now set for comprehensive negotiations with our European partners. In effect, these negotiations began in my meetings with Prime Minister Heath, NATO Secretary General Luns, Premier Andreotti, and Chancellor Brandt. They will continue when I meet with President Pompidou and when I visit Europe later this year...

Major negotiations will begin next fall on international trade. Our basic objectives are to restore the integrity of a more open trading system that was the underlying principle of the General Agreement on Tariffs and Trade (GATT), and to halt the drift toward economic protectionism on both sides of the Atlantic.

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We believe there should be a gradual reduction in tariffs and other barriers to trade in both industrial and agricultural products. We believe also that the adverse effects of preferential trading arrangements between Europe and less developed countries should be eliminated. Such arrangements should not work against the ability of the United States or others to compete in European markets or those of the countries with which it has special trade arrangements...

ALLIANCE DEFENCE

In April 1969 the North Atlantic Alliance completed its twentieth year. For two decades the nations of the Atlantic community had been united in a formidable coalition. No military alliance in modern times has so successfully maintained the peace...By the mid-1960's, however, it was increasingly clear that military conditions had changed and that earlier strategic assumptions were no longer realistic. At the meeting of NATO Foreign Ministers in April 1969, I stressed the need to re-examine the Alliance's military position in light of the strategic and political environment of the 1970's...

Throughout 1969 and 1970 the United States and its allies engaged in a searching re-examination of defence policy. The principal results, announced in December 1970, were significant:

-- All agreed it was essential to reverse the trend of declining capabilities and adopt a concerted, long-term programme to improve existing conventional forces.

-- The European allies agreed to a specific five-year programme to improve and modernize their own forces by spending more for equipment.

-- The Alliance concluded that a commitment of substantial U.S. forces was indispensable to Western Europe's defence.

-- We, in turn, reaffirmed our commitment to maintain and improve our own forces in Europe, given a similar effort by the allies.

Force Improvements. Our European allies increased defence expenditures in both 1971 and 1972. Even allowing for inflation, the net increase was three to four per cent. In each year since 1970, they have committed an additional \$1 billion through the European Defence Improvement Programme. Their defence budget increases in 1972 were more than \$1 billion, and last December the European Defence Ministers announced that in 1973 their additional contributions would total \$1.5 billion. Since 1970, the European allies have increased equipment expenditures by \$1.4 billion. During 1971 and 1972 they bought 1,100 Main battle tanks, 700 anti-tank weapons, and 400 modern combat aircraft, as well as other equipment. This has been an impressive response in a period of rising costs and of growing demands of domestic programmes.

Sharing The Defence Burden. Improvements in European forces are the most important aspect of sharing the defence burden. As almost all European defence expenditures are directly related to NATO, increased European effort means in practice that the U.S. share is less. This is an appropriate solution, since the United States maintains forces to meet global commitments and therefore devotes a much higher share of its economic product to defence than do the Europeans.

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There is another aspect of the defence burden, however, that has not been satisfactorily resolved. Our position is unique in that our deployments in Europe add significantly to our general balance of payments deficit. In 1972 the United States spent about \$2.1 billion in other NATO countries to support our NATO deployments. Allowing for NATO military spending in the United States, mainly for equipment and training, our net military deficit was about \$1.5 billion. This net deficit has risen since 1970 and for a variety of reasons, including the devaluation of the dollar, will continue to rise.

In previous years, the Federal Republic of Germany offset a large part of this deficit, primarily by purchases of military equipment in the United States. In the current agreement for 1972-73, the German Government also contributed to the costs of rehabilitating the barracks for U.S. forces in Germany.

Nevertheless, the Alliance as a whole should examine this problem. As a general principle, we should move toward a lasting solution under which balance of payments consequences from stationing U.S. forces in Europe will not be substantially different from those of maintaining the same forces in the United States. It is reasonable to expect the Alliance to examine this problem this year. Eliminating the periodic requirement to renegotiate a temporary arrangement with only one ally would strengthen the solidarity of the Alliance as a whole.

The Role of United States Forces... The conditions of this decade require the United States to maintain substantial forces in Europe. In conditions of near strategic parity, a strong capability to defend with non-nuclear forces becomes increasingly important; the United States contributes about one-quarter of NATO's forces in Europe's vital central region, though our allies' proportionate share of forces in the entire European NATO area is far higher.

The balance of conventional forces in the centre of Europe would be seriously upset by the unilateral withdrawal of a substantial number of U.S. forces. Unless our reductions were completely replaced by European forces, deterrence would be weakened. In the event of hostilities, a weaker conventional defence could confront the Alliance with the choice of either capitulating or using nuclear weapons immediately.

Defence co-operation within Europe may be a long-term alternative to the American troop contribution. But the prerequisite for such an alternative is a far greater degree of European political unity. Yet even if such unity develops, it is unlikely that the Europeans alone could maintain a strategic balance against the enormous nuclear power of the Soviet Union.

In short, disengaging our forces would risk serious instability in Europe, the consequences of greatly enhanced Soviet influence, and the dangerous implications of a greater reliance on nuclear weapons. If, on the other hand, we and our allies maintain our strength, we can contribute to political stability, reduce the likelihood of war, and conduct a credible diplomacy to negotiate a mutual reduction of forces.

We cannot enter serious negotiations if, at the outset, we or our allies allow our positions to weaken. I intend to maintain an effective American military contribution to the Alliance and to pursue negotiations for a mutual force reduction that will create a viable balance in which the incentives for attack are effectively eliminated.

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Unfinished Tasks. In the past four years the Alliance has diagnosed some fundamental weaknesses and agreed on remedies. In 1971 and 1972 we embarked on a concerted effort to improve our forces. The immediate and, in many ways, the most urgent problem has been faced. We are now in a position to examine more systematically some of the longer-term issues:

-- In the later 1970's, all allies will face the enormous expense of maintaining more sophisticated equipment, paying larger costs for personnel, and maintaining a high degree of combat readiness while national conscription may be eliminated or the terms of service reduced.

-- In these circumstances, it is essential to define more precisely what we mean by an adequate NATO defence. Specifically, what do we mean by forward defence? Should we plan for maximum effort during some initial period of combat? Should we plan for a sustained effort over a longer period? If so, for what purpose? Can we maintain the logistical support for a sustained defence?

-- If we can maintain the high level of conventional defence that is our goal, we still must examine our nuclear doctrines. When, in what way, and for what objective should we use tactical nuclear weapons? How do independent national nuclear forces affect Alliance decisions? Do we require different institutions to examine such over-riding issues within the Alliance?

-- What is the relationship between existing and planned defence programmes and the diplomatic effort to reduce forces?

The answers to these questions are vital to Alliance policy in the 1970's. They require urgent but careful consideration. The United States believes that a strong conventional defence is essential to credible deterrence and that the Alliance must also possess a credible nuclear deterrent. But in the strategic conditions of this decade these issues must be re-examined, and the contribution of each ally determined for the long term.

In particular, the prospect of mutual and balanced force reductions in central Europe raises some immediate questions for the Alliance. Mutual force reductions are first of all a military problem; specific reductions must be measured against their effect on our defence capabilities. We therefore need a common security concept within which we can contemplate some reductions. If we justify force reductions as part of a political accommodation, or as a means to promote detente, the Alliance will be involved in endless debate over what level of reductions will produce what degree of political relaxation. In such a debate, it would be almost impossible to find an answer that would satisfy everyone and that would not undermine security.

Our objective should be to create a military balance that is more viable because it deals with the concerns of both sides and is seen by all to be in the common interest. We want a greater degree of stability, in which neither side gains an advantage because of lower force levels.

The Alliance should thus proceed on three parallel courses: first, to continue the effort to bring our forces to the level and quality required by the doctrine of flexible response; second, to review the strategic options involved in conducting a nuclear defence if necessary; and third, to prepare

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within the Alliance a military-political framework that integrates defence planning with the diplomacy of negotiating mutual and balanced force reductions. *? & 4 Bulwarks.*

Alliance Diplomacy. Through most of the 1960's, the problem of reconciling allied unity with national diplomacy was not critical. East-West relations were virtually frozen. Confrontation requires less in the way of creative initiative, but put a premium on allied unity...

In 1969, the NATO allies were persuaded that new initiatives were required but, in the wake of the invasion of Czechoslovakia, were uncertain whether to renew contacts with the East. Some allies regarded a European security conference as a possible starting point; others urged negotiations on force reductions. The United States was preparing for Strategic Arms Limitation Talks. Unless we could agree on a common strategy, no substantial progress could be expected that did not strain our unity. Accordingly, in April 1969, I urged the Alliance to revive the process of close consultation and committed the United States to continuing Alliance review of SALT. Consultations would address certain general tasks.

First, we needed to identify the specific sources of tensions that might be resolved.

Second, we had to agree on how to manage the priorities and inter-relationship among major issues: those of primary concern to one country, for example West Germany's Eastern policy; those of regional concern, such as mutual+force reductions and a European security conference; and those of international concern, such as SALT.

Third, we had to recognize that issues would be dealt with by different countries in different forums. Such diversity required an essential harmonization of purposes as well as a degree of national autonomy...

These past four years have been a period of active European and international diplomacy. In addition to the Berlin agreement and the German treaties, France agreed on a set of principles for political consultations with the Soviet Union. Canada agreed on a somewhat similar arrangement during Premier Kosygin's visit. West Germany and Italy negotiated long-term economic agreements with the Soviet Union. There have been several summit meetings between Soviet and West European leaders. And the United States agreed with the Soviet Union on strategic arms limitations, measures of bilateral co-operation, and some basic principles governing our relations.

In sum, the allies have intensified their national diplomacy within a framework of unity. But the very success of the past four years has created some new problems. Each of the European countries will want to continue the development of its own bilateral economic and political relations with the Soviet Union and Eastern Europe. The United States also wishes to pursue the favourable trends that have developed in our relations with the Soviet Union. Each of our allies naturally wants a major voice in negotiations affecting Europe as a whole, and in those aspects of Soviet-American relations that affect international stability.

Two specific issues will test the ability of the Western coalition to reconcile its unity with its diversity: the Conference on Security and Co-operation in Europe and the negotiations on Mutual and Balanced Force Reductions.

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The Conference on Security and Co-operation in Europe. In March 1969, the Warsaw Pact revived its proposal to convene a European security conference. Such a conference would be largely symbolic; its purpose would be to confirm the territorial and political status quo in Europe. There was some feeling in the West that this proposal should be accepted; it was thought that it might be a way to dissipate the tensions over the invasion of Czechoslovakia in August 1968 and to test Soviet policy. Some viewed it as a way of creating a better atmosphere for subsequent talks, while others saw it as a link to more specific issues, such as force reductions.

We were sceptical about symbolic acts that failed to deal with the substance of East-West tensions. The urgent issues of European security were the tensions over Berlin and Germany and the military confrontation in central Europe. We could not hand over our responsibilities in Berlin to a European conference. If we could not make progress on a central issue such as Berlin, the results of a broad conference would be illusory. To stimulate an atmosphere of detente through symbolic gestures could only lead to disillusionment and insecurity.

The United States, therefore, took the position that a European conference would only be acceptable if there was progress on specific issues, including the Berlin negotiations. A conference might be appropriate if individual countries succeeded in regulating their relations and resolving some of their territorial and political issues.

This was accomplished by West Germany's treaties with the Soviet Union and Poland, the quadripartite agreement on Berlin, and the SALT agreements. At my summit meeting with the Soviet leaders in May 1972, I agreed that we now could begin preparing for a European conference with the aim of broadening European co-operation.

Preparatory talks began last November to find out whether there was sufficient common ground to justify a conference of Foreign Ministers. A provisional agenda is being developed, which the Foreign Ministers could consider. Progress thus far suggests that the conference can be convened this year and that it may be possible to move forward on several important questions.

- The participants will address certain principles of security and co-operation. If all European countries subscribe to common principles of conduct, and carry them out in practice, there could be a further relaxation of tensions. Certain military security matters designed to improve confidence will also be considered.

- The conference would be an appropriate forum to discuss practical co-operation in economics, cultural exchange, science, and technology, on which there has already been progress in bilateral relations.

- The conference can consider how to facilitate contacts among the peoples of Europe and how to encourage countries to exchange ideas and information.

The Conference on Security and Co-operation in Europe thus can set a new tone for European relations and establish new modes of conduct and means of co-operation. These would be practical steps toward normal relations.

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Mutual and Balanced Force Reductions. ...The initial talks on Mutual and Balanced Force Reductions, now underway in Vienna, will lay the groundwork for more formal negotiations next fall. The military and arms control aspects of force reductions are treated in other sections of this report. Certain points that affect Atlantic political unity should be summarized.

Perhaps more than any other single issue, the problem of force reductions crystallizes the basic issue of reconciling Alliance unity and national diversity. We will need an unprecedented degree of unity on fundamental military and political security questions. The outcome of the negotiations will affect the entire Alliance, regardless of who sits at the table or which forces are reduced. Indeed, the very process of negotiating will test our common purposes.

Each member brings to this issue strongly held national viewpoints. We must avoid efforts to protect national interests by procedural devices or tactical solutions. That approach would merely defer or avoid the hard questions. Ultimately it will be disruptive and open the Alliance to exploitation by the other side. Our goal must be agreement on basic security principles. We must meet individual national concerns within a common concept of security, and forthrightly address the question of how to maintain our security at reduced force levels. The issues are highly sensitive, and Alliance discussions will be painstaking and difficult.

The United States is engaged in the most serious consultations with our allies to prepare for negotiations later this year. Force reductions in central Europe are, of course, an element of the complex U.S.-Soviet relations. The U.S. and Soviet forces are comparable in that they are not indigenous to central Europe and might be candidates for reduction.

The United States will not subordinate the security of the Alliance to Soviet-American relations. We are aware of European concerns in this regard. Repeated American assurances, however, have not alleviated these concerns. Mutual confidence within the Alliance will develop only through an agreement on the basic security framework for the negotiations.

RELATIONS WITH EASTERN EUROPE

The improvement in our relations with the Soviet Union during 1972 has created a better atmosphere for our relations with the countries of Eastern Europe. But we do not regard our relations with any East European countries as a function of our relations with Moscow. We reject the idea of special rights or advantages for outside powers in the region. We welcomed and responded to opportunities to develop our relations with the East European countries long before the Moscow summit. And we shall continue to seek ways to expand our economic, scientific, technological, and cultural contacts with them. Mutual benefit and reciprocity are governing principles.

As the post-war rigidity between Eastern and Western Europe eases, peoples in both areas expect to see the benefits of relaxation in their daily lives. These aspirations are fully justified. An era of co-operation in Europe should produce a variety of new relationships not just between governments but between organizations, institutions, business firms, and people in all walks of life. If peace in Europe is to be durable, its foundation must be broad...

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We remain ready to establish constructive relationships on a reciprocal basis with all countries in Eastern Europe. Differences in social, economic, and political systems exist, and must be acknowledged frankly. But they will not bar our co-operation with any country that seeks it.

THE OUTLOOK

In 1972, the face of world politics changed dramatically. But one constant factor in this changing pattern has been the close relationship among the Atlantic allies. It has been true, however, that as the relaxation of East-West tensions became more pronounced, some of our allies questioned whether the United States would remain committed to Europe or would instead pursue a new balance of power in which the older alignments would be diluted and distinctions between allies and adversaries would disappear. Apprehensions may be inevitable in a period of great international change after a long period of confrontation. As relations between adversaries are ameliorated, those not directly involved tend to worry that their own interests are somehow subordinate to new relationships.

But the United States will never compromise the security of Europe or the interests of our allies. The best reassurance of our unity, however, lies not in verbal pledges but in the knowledge of agreed purposes and common policies. For almost a decade the Alliance has debated questions of defence and detente -- some urging one course, others a different priority. Now the debates should end. We must close ranks and chart our course together for the decade ahead... (End excerpts)

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~~Mr Overton~~

PRESIDENT NIXON'S FOREIGN POLICY REPORT

1. A short note on President Nixon's fourth annual review of US Foreign Policy is attached together with copies of transcripts of two press conferences by Dr Kissinger in which he answered questions on the report.
2. The report covers 232 pages. Copies of the introduction and conclusion have already been circulated and additionally Departments are being sent only the sections in which they have a direct interest.

G R Archer

10 May 1973

North America Department

cc FED - Parts I and II
 EESD - Part I
 SEAD - Part II
 WOD } Parts III and IV
 WED } already sent
 EID }
 LAD - Part III
 SAD - Part III
 CSAD }
 EAD } Part IV
 WAD }
 NENAD - Part IV
 FRD } Part V
 TRD }
 Defence Dept } Part VI
 ACDAD }
 UN Dept - Part VII
 Planning Staff - Whole report
 already sent

P.A.
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PRESIDENT NIXON'S FOREIGN POLICY REPORT 1973

1. The 1973 report appears some 15 months after the previous Presidential Report. The initial work on these reports is done in the State Department but the final reports are prepared by the National Security Council staff under Dr Kissinger's supervision and the report is less of a review of past performance than the US Secretary of State's Annual Report which appeared at the end of April and is more an indication of overall national strategy and objectives.
2. The report covers a wide area but the most interesting sections this year are probably those dealing with proposals for the future of US/European relations, the Atlantic Alliance (Part III) and US Defence policy (Part VI). Points of particular interest in the report and press briefing by Dr Kissinger on the report are:

US/European Relations (Part III)

3. The tone is somewhat tougher than last year but forward looking and constructive. It is very much in line with Dr Kissinger's New York speech although it does not refer to the proposal for a new Atlantic Charter. It contains the familiar complaints that fundamental problems persist in economic relations with the European Community, that the Europeans have been pursuing policies of "Economic Regionalism" and that European lack of political unity hampers the resolution of US/European economic disputes. The report lists as a policy aim the development of a broad political framework within which differences could be resolved for the sake of larger goals.

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4. In referring to this section Dr Kissinger in his press conference acknowledged that the references to regionalism both in this report and in his speech may have created resentment and said that the references "were intended to be descriptive and not prescriptive". Even if this is taken into account, however, the tone of the passage in the report (page 79) is an ill-chosen description of the distinction between European and American relations.

5. The President's evident desire to achieve a new formal agreement for political cooperation between the Atlantic Community and Japan is summarised by Dr Kissinger as the President urging "that the political leaders on both sides of the Atlantic first set themselves some general political goal in the name of which they can adopt a more general, more flexible and a more farsighted approach to their economic relationships."

Alliance Defence (Parts III and VI)

6. These sections of the report on the Alliance also make some familiar US points but there are some points worth drawing out. (Mr Tickell's minute of 7 May - Flag A refers).

7. The report gives credit to the European members of the Alliance for their increased defence efforts in 1971 and 1972, and mentions German offset arrangements. It highlights however the continuing contribution to the US balance of payments deficit of US deployments in Europe and concludes that "the Alliance as a whole should examine this problem".

8. Under the heading "Unfinished Tasks" (on page 86) the report indicates that the US will now examine the long term

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issue of Alliance nuclear doctrines and how independent national nuclear forces affect Alliance decisions.

9. Dr Kissinger, when asked about the application of the Nixon doctrine to the Atlantic Alliance, responded that "the President has affirmed and the Secretary of State has repeated that there will be no unilateral American cuts in the commitment of our forces in Europe, and therefore the reference to the Nixon doctrine in this paper cannot be interpreted in that sense".

US/Chinese and US/Soviet Relations

10. At a quick glance these sections seem to be in the main an historical analysis of the President's achievements in improving US/Soviet and US/Chinese relations. There is mention of "converting" the promise of our agreements on economic relations into reality." Part VI deals with SALT II.

Vietnam

11. The report conveys a strong warning to North Vietnam against violators of the peace agreement but goes no further than the Administration has done before in spelling out the consequences of continued North Vietnamese breaches. Dr Kissinger, in dealing with the section of the report on Vietnam summarises the general thrust as "the tension existing between us certainly cannot ease as rapidly as we want if the agreement is not observed".

Middle East

12. In contrast to Mr Rogers' recent Foreign Policy Report there is no mention of an intended initiative on the Middle East this year but changes of emphasis are detectable (Washington Savings 64 and 65 of 7 May attached refer - Flags B and C)

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Latin America

13. On page 130 the President indicates that he plans to make at least one visit to Latin America this year.

Africa

14. The report indicates that American policy goals in Africa are unchanged and that the President hopes to become the ~~first~~ American President to visit black Africa while in office. (Page 161)

Asia

15. In the section on Asia and the Pacific the three points are made that the US will keep its principal commitments, provide a shield against a nuclear threat and furnish military and economic assistance when requested in cases involving other types of aggression although the nation threatened will be expected to assume the primary responsibility for providing the manpower for this defence.

South Asia

16. The section dealing with India is of interest in that it outlines a basis for better relations with India involving "reciprocity" and a "mature economic relationship".

Energy

17. Asked about US Energy policy, Dr Kissinger replied that "we have not completed our own deliberations on the international implications of the energy problem". He pointed out that the recent Presidential energy message dealt with domestic implications and that the National Security Council are currently looking at international implications.

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Economic Policy

18. Part V of the report deals with US economic policy but neither the monetary nor the trade sections appear to contain anything new. The emphasis is on taking the views of all into account in a new economic era but as expected reserves are seen as the primary factor to look at when deciding what adjustments are needed. The trade section emphasises opposition to discriminatory trade arrangements. It is reasonably open-minded and conciliatory and there is a sympathetic piece about developing countries.

United Nations

19. United Nations Department will wish to see Part VII dealing with the UN and global challenges of peace.

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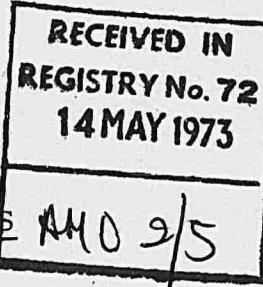
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THURSDAY, MAY 3, 1973

1) Mr. Dawson
2) Mr. Major - pages 79, 229.

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Canada is clearly in the
forefront of the President's mind



UNITED STATES FOREIGN POLICY FOR THE 1970'S

Shaping A Durable Peace

A REPORT BY
PRESIDENT RICHARD NIXON
TO THE CONGRESS

*NOTICE: There should be no premature release of this Report, nor should any of its contents be paraphrased, alluded to, or hinted at in earlier stories. There is a total embargo on the Report until 6:00 p.m. (E.D.T.) Thursday, May 3, 1973.

Ronald L. Ziegler
Press Secretary
to the President

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THURSDAY, MAY 3, 1973

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(2) Mr. Major - Page 79, 229.

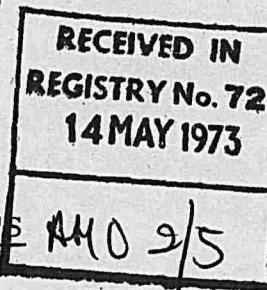
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Canada is clearly in the
forefront of the President's mind

JR
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UNITED STATES FOREIGN POLICY FOR THE 1970'S

Shaping A Durable Peace

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Ronald L. Ziegler
Press Secretary
to the President

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TO THE CONGRESS OF THE UNITED STATES:

This Administration attaches fundamental importance to the articulation as well as the execution of foreign policy.

Public understanding is, of course, essential in a democracy. It is all the more urgent in a fast changing world, which requires continuing, though redefined, American leadership. One of my basic goals is to build a new consensus of support in the Congress and among the American people for a responsible foreign policy for the 1970's.

These were the reasons that I began the practice of annual Presidential Reports to the Congress. This fourth Review, like the previous ones, sets forth the philosophical framework of our policy and discusses major trends and events in this context. Two other important documents complement this one with the more detailed record of current questions and policies. The Secretary of State's third annual report of April 19, 1973, covers our specific country, regional, and functional policies and provides basic documentation. The Secretary of Defense's yearly report of April 3, 1973, presents a thorough accounting of our policies and programs for national defense.

It is my hope that this Report will inform and lift the national dialogue on our purposes and our place in the world.

RICHARD NIXON

THE WHITE HOUSE

May 3, 1973

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INTRODUCTION\

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INTRODUCTION

In January 1969, America needed to change the philosophy and practice of its foreign policy.

Whoever took office four years ago would have faced this challenge. After a generation, the postwar world had been transformed and demanded a fresh approach. It was not a question of our previous policies having failed; indeed, in many areas they had been very successful. It was rather that new conditions, many of them achievements of our policies, summoned new perspectives.

The World We Found

The international environment was dominated by seemingly intractable confrontation between the two major nuclear powers. Throughout the nuclear age both the fears of war and hopes for peace revolved around our relations with the Soviet Union. Our growing nuclear arsenals were largely directed at each other. We alone had the capacity to wreak catastrophic damage across the planet. Our ideologies clashed. We both had global interests, and this produced many friction points. We each led and dominated a coalition of opposing states.

As a result, our relationship was generally hostile. There were positive interludes, but these were often atmospheric and did not get at the roots of tension. Accords were reached on particular questions, but there was no broad momentum in our relationship. Improvements in the climate were quickly replaced by confrontation and, occasionally, crisis. The basic pattern was a tense jockeying for tactical advantage around the globe.

This was dangerous and unsatisfactory. The threat of a major conflict between us hung over the world. This in turn exacerbated local and regional tensions. And our two countries not only risked collision but were constrained from working positively on common problems.

The weight of China rested outside the international framework. This was due partly to its own attitude and its preoccupation with internal problems, and partly to the policies of the outside world, most importantly the United States. In any event, this Administration inherited two decades of mutual estrangement and hostility. Here the problem was not one of a fluctuating relationship but rather of having no relationship at all. The People's Republic of China was separated not only from us but essentially from the world as a whole.

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China also exemplified the great changes that had occurred in the Communist world. For years our guiding principle was containment of what we considered a monolithic challenge. In the 1960's the forces of nationalism dissolved Communist unity into divergent centers of power and doctrine, and our foreign policy began to differentiate among the Communist capitals. But this process could not be truly effective so long as we were cut off from one-quarter of the globe's people. China in turn was emerging from its isolation and might be more receptive to overtures from foreign countries.

The gulf between China and the world distorted the international landscape. We could not effectively reduce tensions in Asia without talking to Peking. China's isolation compounded its own sense of insecurity. There could not be a stable world order with a major power remaining outside and hostile to it.

Our principal alliances with Western Europe and Japan needed adjustment. After the devastation of the Second World War we had helped allies and former adversaries alike. Fueled by our assistance and secure behind our military shield, they regained their economic vigor and political confidence.

Throughout the postwar period our bonds with Europe had rested on American prescriptions as well as resources. We provided much of the leadership and planning for common defense. We took the diplomatic lead. The dollar was unchallenged. But by the time this Administration took office, the tide was flowing toward greater economic and political assertiveness by our allies. European unity, which we had always encouraged, was raising new issues in Atlantic relations. The economic revival of Europe was straining the Atlantic monetary and commercial framework. The relaxation of tensions with the Communist world was generating new doctrines of defense and diplomacy.

The imperatives of change were equally evident in our Pacific partnership with Japan. Its recovery of strength and self-assurance carried political and psychological implications for our relationship. Its spectacular economic growth had made it the world's third industrial power; our entire economic relationship was undergoing transformation. The earlier paternalism of U.S.-Japanese relations no longer suited either partner.

The Vietnam war dominated our attention and was sapping our self-confidence. Our role and our costs had steadily grown without decisive impact on the conflict. The outlook at the conference table was bleak. The war was inhibiting our policy abroad and fostering dissent and self-doubt at home. There was no prospect of either an end to the fighting or an end to our involvement.

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Although the historical imperatives for a new international approach existed independently, the war made this challenge at once more urgent and more difficult. More than any other factor, it threatened to exhaust the American people's willingness to sustain a reliable foreign policy. As much as any other factor, the way we treated it would shape overseas attitudes and American psychology.

The context for our national security policy was fundamentally altered. From the mid-1940's to the late 1960's we had moved from America's nuclear monopoly to superiority to rough strategic balance with the Soviet Union. This created fresh challenges to our security and introduced new calculations in our diplomacy. The U.S. defense effort remained disproportionate to that of our allies who had grown much stronger. The threats from potential enemies were more varied and less blatant than during the more rigid bipolar era. These changes, combined with spiraling military costs and the demands of domestic programs, were prompting reexamination of our defense doctrines and posture. They were underlining the importance of arms control as an element in national security. They were also leading some in this country to call for policies that would seriously jeopardize our safety and world stability.

Around the world, friends were ready for a greater role in shaping their own security and well-being. In the 1950's and 1960's other nations had looked to America for ideas and resources, and they found us a willing provider of both. Our motives were sound, the needs were clear, and we had many successes. By 1969, scores of new nations, having emerged from colonial status or dependency on major powers, were asserting themselves with greater assurance and autonomy.

Four years ago this growing capacity of friends was not reflected in the balance of contributions to security and development. This meant that others could do more, and the United States need do proportionately less, in the provision of material resources. More fundamentally, it meant that increasingly the devising of plans belonged outside of Washington. The sweeping American presence was likely to strain our capabilities and to stifle the initiative of others.

There were new issues that called for global cooperation. These challenges were not susceptible to national solutions or relevant to national ideologies. The vast frontiers of space and the oceans beckoned international exploration for humanity's gain. Pollution of air, sea, and land could not be contained behind national frontiers. The brutal tools of assassination, kidnapping, and hijacking could be used to further any cause in any country. No nation's

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youth was immune from the scourge of international drug traffic. The immediate tragedies of national disasters and the longer-term threat of overpopulation were humanitarian, not political, concerns.

At home we faced pressures that threatened to swing America from over-extension in the world to heedless withdrawal from it. The American people had supported the burdens of global leadership with enthusiasm and generosity into the 1960's. But after almost three decades, our enthusiasm was waning and the results of our generosity were being questioned. Our policies needed change, not only to match new realities in the world but also to meet a new mood in America. Many Americans were no longer willing to support the sweeping range of our postwar role. It had drained our financial, and especially our psychological, reserves. Our friends clearly were able to do more. The Vietnam experience was hastening our awareness of change. Voices in this country were claiming that we had to jettison global concerns and turn inward in order to meet our domestic problems.

Therefore the whole underpinning of our foreign policy was in jeopardy. The bipartisan consensus that once existed for a vigorous American internationalism was now being torn apart. Some of the most active proponents of America's commitment in the world in previous decades were now pressing for indiscriminate disengagement. What was once seen as America's overseas obligation was now seen as our overseas preoccupation. What was once viewed as America's unselfishness was now viewed as our naivete. By 1969 we faced the danger that public backing for a continuing world role might be swept away by fatigue, frustration and over-reaction.

This Administration's Approach

We were determined to shape new policies to deal with each of these problems. But our first requirement was philosophic. We needed a fresh vision to inspire and to integrate our efforts.

We began with the conviction that a major American commitment to the world continued to be indispensable. The many changes in the postwar landscape did not alter this central fact. America's strength was so vast, our involvement so broad, and our concerns so deep, that to remove our influence would set off tremors around the globe. Friends would despair, adversaries would be tempted, and our own national security would soon be threatened. There was no escaping the reality of our enormous influence for peace.

But the new times demanded a new definition of our involvement. For more than a score of years our foreign policy had been driven by a global mission that only America could fulfill -- to furnish political leadership,

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provide for the common defense, and promote economic development. Allies were weak and other nations were young, threats were palpable and American power was dominant.

By 1969, a mission of this scale was no longer valid abroad or supportable at home. Allies had grown stronger and young nations were maturing, threats were diversified and American power was offset. It was time to move from a paternal mission for others to a cooperative mission with others. Convinced as we were that a strong American role remained essential for world stability, we knew, too, that a peace that depends primarily on the exertions of one nation is inherently fragile.

So we saw the potential and the imperative of a pluralistic world. We believed we could move from an environment of emergencies to a more stable international system. We made our new purpose a global structure of peace -- comprehensive because it would draw on the efforts of other countries; durable because if countries helped to build it, they would also help to maintain it.

To pursue this fundamental vision, we had to move across a wide and coordinated front, with mutually reinforcing policies for each challenge we faced.

Peace could not depend solely on the uneasy equilibrium between two nuclear giants. We had a responsibility to work for positive relations with the Soviet Union. But there was ample proof that assertions of good will or transitory changes in climate would not erase the hard realities of ideological opposition, geopolitical rivalry, competing alliances, or military competition. We were determined not to lurch along -- with isolated agreements vulnerable to sudden shifts of course in political relations, with peaks and valleys based on atmosphere, with incessant tension and maneuvering. We saw as well that there were certain mutual interests that we could build upon. As the two powers capable of global destruction, we had a common stake in preserving peace.

Thus we decided to follow certain principles in our policy toward the Soviet Union. We would engage in concrete negotiations designed to produce specific agreements, both where differences existed and where cooperation was possible. We would work with Moscow across a broad front, believing that progress in one area would induce progress in others. Through the gathering momentum of individual accords we would seek to create vested interests on both sides in restraint and the strengthening of peace. But this process would require a reduction in tactical maneuvering at each other's expense in favor of our shared interest in avoiding calamitous collision, in profiting from cooperation, and in building a more stable world.

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Peace could not exclude a fourth of humanity. The longer-term prospects for peace required a new relationship with the People's Republic of China. Only if China's weight was reflected in the international system would it have the incentive, and sense of shared responsibility, to maintain the peace. Furthermore, the time was past when one nation could claim to speak for a bloc of states; we would deal with countries on the basis of their actions, not abstract ideological formulas. Our own policies could be more flexible if we did not assume the permanent enmity of China. The United States had a traditional interest in an independent and peaceful China. We seemed to have no fundamental interests that need collide in the longer sweep of history. There was, indeed, rich potential benefit for our two peoples in a more normal relationship.

So we launched a careful process of private diplomacy and public steps to engage the People's Republic of China with us and involve it more fully in the world. We did so, confident that a strong, independent China was in our national interest; resolved that such a process need not -- and would not -- be aimed at any other country; and looking for a reciprocal attitude on the part of the Chinese.

Peace must draw upon the vitality of our friends. Our alliances with Western Europe and Japan would continue as major pillars of our foreign policy, but they had not kept pace with the changed international environment. We thus sought to forge more equal partnerships based on a more balanced contribution of both resources and plans.

America had been the automatic source of political leadership and economic power. Now we needed new modes of action that would accommodate our partners' new dynamism. The challenge was to reconcile traditional unity with new diversity. While complete integration of policy was impossible, pure unilateralism would be destructive.

Before, we were allied in containment of a unified Communist danger. Now Communism had taken various forms; our alliances had stabilized the European and Northeast Asian environments; and we had laid the foundations for negotiation. We had to decide together not only what we were against, but what we were for.

Peace required the ending of an ongoing war. Our approach to the Vietnam conflict and our shaping of a new foreign policy were inextricably linked. Naturally, our most urgent concern was to end the war. But we had to end it -- or at least our involvement -- in a way that would continue to make possible a responsible American role in the world.

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We could not continue on the course we inherited, which promised neither an end to the conflict nor to our involvement. At the same time, we would not abandon our friends, for we wanted to shape a structure of peace based in large measure on American steadiness. So we sought peace with honor -- through negotiation if possible, through Vietnamization if the enemy gave us no choice. The phased shifting of defense responsibilities to the South Vietnamese would give them the time and means to adjust. It would assure the American people that our own involvement was not open-ended. It would preserve our credibility abroad and our cohesion at home.

Given the enemy's attitude, peace was likely to take time, and other problems in the world could not wait. So we moved promptly to shape a new approach to allies and adversaries. And by painting on this larger canvas we sought both to put the Vietnam war in perspective and to speed its conclusion by demonstrating to Hanoi that continued conflict did not frustrate our global policies.

Peace needed America's strength. Modifications in our defense policy were required, but one central truth persisted -- neither our nation nor peace in the world could be secure without our military power. If superiority was no longer practical, inferiority would be unthinkable.

We were determined to maintain a national defense second to none. This would be a force for stability in a world of evolving partnerships and changing doctrines. This was essential to maintain the confidence of our friends and the respect of our adversaries. At the same time, we would seek energetically to promote national and international security through arms control negotiations.

Peace involved a fresh dimension of international cooperation. A new form of multilateral diplomacy was prompted by a new set of issues. These challenges covered a wide range -- the promise of exploration, the pollution of our planet, the perils of crime -- but they were alike in going beyond the traditional considerations of doctrine and geography. They required cooperation that reached not only across boundaries but often around the globe. So we resolved to work both with friends and adversaries, in the United Nations and other forums, to practice partnership on a global scale.

Above all, peace demanded the responsible participation of all nations. With great efforts during the postwar period we had promoted the revitalization of former powers and the growing assurance of new states. For this changed world we needed a new philosophy that would reflect and reconcile two basic principles: A structure of peace requires the greater participation of other nations, but it also requires the sustained participation of the United States.

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To these ends, we developed the Nixon Doctrine of shared responsibilities. This Doctrine was central to our approach to major allies in the Atlantic and Pacific. But it also shaped our attitude toward those in Latin America, Asia, and Africa with whom we were working in formal alliances or friendship.

Our primary purpose was to invoke greater efforts by others -- not so much to lighten our burdens as to increase their commitment to a new and peaceful structure. This would mean that increasingly they would man their own defenses and furnish more of the funds for their security and economic development. The corollary would be the reduction of the American share of defense or financial contributions.

More fundamental than this material redistribution, however, was a psychological reorientation. Nations had habitually relied on us for political leadership. Much time and energy went into influencing decisions in Washington. Our objective now was to encourage them to play a greater role in formulating plans and programs. For when others design their security and their development, they make their destiny truly their own. And when plans are their plans, they are more motivated to make them realities.

The lowering of our profile was not an end in itself. Other countries needed to do more, but they could not do so without a concerned America. Their role had to be increased, but this would prove empty unless we did what we must. We could not go from overinvolvement to neglect. A changing world needed the continuity of America's strength.

Thus we made clear that the Nixon Doctrine represented a new definition of American leadership, not abandonment of that leadership. In my 1971 Report, I set forth the need for a responsible balance:

"The Nixon Doctrine recognizes that we cannot abandon friends, and must not transfer burdens too swiftly. We must strike a balance between doing too much and thus preventing self-reliance, and doing too little and thus undermining self-confidence."

"The balance we seek abroad is crucial. We only compound insecurity if we modify our protective or development responsibilities without giving our friends the time and the means to adjust, materially and psychologically, to a new form of American participation in the world."

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"Precipitate shrinking of the American role would not bring peace. It would not reduce America's stake in a turbulent world. It would not solve our problems, either abroad or at home."

Peace had a domestic dimension. Steadiness abroad required steadiness at home. America could continue to make its vital contribution in the world only if Americans understood the need and supported the effort to do so. But understanding and support for a responsible foreign policy were in serious jeopardy in 1969. Years of burdens, Cold War tensions, and a difficult war threatened to undermine our constancy.

While new policies were required to meet transformed conditions abroad, they were equally imperative because of the changing climate at home. Americans needed a new positive vision of the world and our place in it. In order to continue to do what only America could, we had to demonstrate that our friends were doing more. While maintaining strong defenses, we also had to seek national security through negotiations with adversaries. And where American families were most directly affected, we had to gain a peace with honor to win domestic support for our new foreign policy as well as to make it credible abroad.

We have thus paid great attention, as in these Reports, to the articulation, as well as the implementation, of our new role in the world.

The Past Year

My previous Reports chronicled our progress during the first three years of this Administration. Despite shifting currents, and recognizing that the calendar cannot draw neat dividing lines, there has been a positive evolution.

In 1969, we defined our basic approach, drawing the blueprint of a new strategy for peace.

In 1970, we implemented new policies, building toward peace.

In 1971, we made essential breakthroughs, and a global structure of peace emerged.

This past year we realized major results from our previous efforts. Together they are shaping a durable peace.

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- Three years of careful groundwork produced an historic turning point in our relations with the People's Republic of China. My conversations with Chinese leaders in February 1972 reestablished contact between the world's most powerful and the world's most populous countries, thereby transforming the postwar landscape. The journey to Peking launched a process with immense potential for the betterment of our peoples and the building of peace in Asia and the world. Since then we have moved to concrete measures which are improving relations and creating more positive conditions in the region. China is becoming fully engaged with us and the world. The process is not inexorable, however. Both countries will have to continue to exercise restraint and contribute to a more stable environment.
- The May 1972 summit meeting with the leadership of the Soviet Union achieved a broad range of significant agreements. Negotiations across a wide front, which set the stage for the meeting, were successfully concluded in Moscow. Progress in one area reinforced progress in others. For the first time two nations agreed to limit the strategic weapons that are the heart of their national survival. We launched cooperative ventures in several fields. We agreed on basic principles to govern our relations. Future areas of cooperation and negotiation were opened up. There has been, in sum, major movement toward a steadier and more constructive relationship. On the other hand, areas of tension and potential conflict remain, and certain patterns of Soviet behavior continue to cause concern.
- The attainment of an honorable settlement in Vietnam was the most satisfying development of this past year. Successful Vietnamization and intensive negotiations culminated in the Agreement signed on January 27, 1973. This was quickly followed by a settlement in neighboring Laos in February. The steady courage and patience of Americans who supported our policy through the years were echoed in the moving salutes of our returning men. But the coals of war still glow in Vietnam and Laos, and a ceasefire remains elusive altogether in Cambodia. Much work remains to consolidate peace in Indochina.
- In Western Europe the inevitable strains of readjustment persisted as we moved from American predominance to balanced partnerships. Generally these were healthy manifestations of the growing strength of countries who share common values and objectives. With less fanfare, but no less dedication, than in our negotiations with adversaries, we consulted closely with our friends. Such a process may

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not be as susceptible to dramatic advances, but we believe that we have paved the way for substantial progress in Atlantic relations in the coming months. Major political, security, and economic negotiations are on the agenda. They will test the wisdom and adaptability of our Alliance.

- There was continued evolution toward a more mature and equitable partnership with Japan. Confidence in our shared purposes, which appeared shaken in 1971, has since been reaffirmed. Nevertheless we have not yet fully defined our new political relationship, and serious economic problems confront us. Our relations with Tokyo will be an area of prime attention during the coming year.
- In the past year we advanced toward major reform of the international economic system. With others we have launched proposals to create a more stable international monetary system, and a more open world trading order through new international trade negotiations. This process of readjustment is not without crises, however, and voices of narrow nationalism are heard on both sides of the ocean. We have a long and difficult way to go.
- The explosive Middle East continued in the twilight zone between peace and open conflict. The ceasefire arranged at our initiative lasted into its third year, but no genuine progress was made toward a permanent settlement. Some foreign military forces were withdrawn from the region, but the mix of local animosities and external power still makes the Middle East a most dangerous threat to world peace. Efforts to find political solutions are menaced by the upward spiral of terrorism and reprisal.
- For the South Asian Subcontinent it was a year of rebuilding and readjustment after the conflict in 1971. India, Pakistan, and the new nation of Bangladesh made tentative moves toward accommodation. But there is still a long road to the stability and reconciliation that are required if the massive human needs of one-fifth of mankind are to be met.
- In the Western Hemisphere the United States followed its deliberate policy of restraint, encouraging others to furnish concepts as well as resources for Hemispheric development. A healthy process of regional initiatives and self-definition is now underway, and the foundations have been established for a more mature partnership with

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our Latin American friends. The common task of redefining and imparting fresh purpose to our community, however, is far from completed.

- Asia has witnessed a settlement of the Vietnam war and major developments in relations among the principal powers. It is there that the Nixon Doctrine has been most extensively applied. There has been positive growth in self-help and regional cooperation. But these nations are entering a period of delicate readjustment and American steadiness will be crucial.
- In Africa our goals remained economic development, racial justice, and a stable peace resting on independent states. We continue to recognize, however, that these are largely the tasks of the African nations themselves -- and there were both hopeful and discouraging events this past year. Our policies of restraint and economic support are designed to help Africa realize its rich potential.
- We moved down the interrelated paths of national security, arms control, and a strong defense. The strategic arms limitation pacts with the Soviet Union were a milestone, but major tasks remain -- the extension of limitations on strategic arms and then their reduction; the mutual and balanced reduction of conventional forces in Central Europe. In our defense posture we have maintained a clearly sufficient power, and we reached an all-volunteer army. But we are still searching for doctrines and deployments fully adequate to changing times and surging costs. Our fundamental principle remains keeping America strong enough to preserve our vital interests and promote the prospects of peace.
- We paid increasing attention to global issues that more and more demand international solutions. Progress was encouraging in some areas, such as reducing the flow of drugs. The world community still refused to grapple effectively, however, with other issues such as terrorism. The global dimension of diplomacy has been developing unevenly.

* * * * *

Since last year's Report, there has been historic progress. A changed world has moved closer to a lasting peace. Many events were colorful, but their true drama is that they can herald a new epoch, not fade as fleeting episodes.

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As in any year, however, there were disappointments as well as successes. And wherever there is progress, new challenges are added to an always unfinished agenda.

Shaping a peaceful world requires, first of all, an America that stays strong, an America that stays involved.

But the United States alone cannot realize this goal. Our friends and adversaries alike must share in the enterprise of peace.

The President and the Administration alone cannot pursue this goal. We need the cooperation of the Congress and the support of the American people.

It is to these audiences at home and abroad that this Report is addressed.

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PART I

BUILDING NEW RELATIONSHIPS

China

The Soviet Union

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CHINA

In this Administration we have begun a new chapter in American-Chinese relations, and as a result the international landscape has been fundamentally changed.

For two decades our two countries stared at each other icily across a gulf of hostility and suspicion. Misunderstanding was assured. Miscalculation was a constant danger. And constructing a permanent peace was impossible.

This estrangement had global ramifications that went far beyond our bilateral relationship. So long as we were not dealing with the People's Republic of China, our foreign policy could not truly reflect the emerging multipolar world. The isolation of one-fourth of the human race, partly self-imposed and partly the result of the policies of others, distorted the international scene. It also tended to reinforce China's own sense of insecurity. There could be no stable world order if one of the major powers remained outside it and antagonistic toward it.

In the past four years this situation has been transformed. Bilaterally, deep differences in ideology and policy remain; neither we nor the Chinese leaders have illusions that our discussions will convert each other. But extensive and frank dialogue has greatly increased mutual understanding. The risk of confrontation therefore has been sharply reduced, and in any event it should no longer flow from miscalculation. Without either side abandoning its principles, we now have the potential for positive enterprises.

There are concrete manifestations of this new chapter in our relationship.

Before, there was no dialogue at all between our governments, except for desultory meetings in third countries. Now we have held hundreds of hours of direct talks at the highest levels. Liaison Offices are being established in Peking and Washington.

Before, there was virtually no contact between a quarter of the world's population and the American people. Now there is a significant exchange of groups and persons in a wide spectrum of fields. This will increase substantially.

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Before, our bilateral trade was minuscule. Now it is reaching very substantial levels. There will be further expansion.

This process in turn has helped to create new possibilities on a global scale. Our own diplomacy has been broadened; we can more effectively promote an inclusive peace. The People's Republic of China has become more fully engaged in the world scene; much more than before, it is making its contributions to shaping the international order.

The turning point came at the summit in February 1972 when the leaders of the People's Republic of China and the United States met and put their personal imprint on a new direction for our two nations, and with it new contours for the world.

The Road to the Summit

Three years of meticulous preparation preceded my trip to Peking.

When I took office, I was determined to reestablish contact between the most populous and most powerful countries in the world. The following considerations prompted us and served as policy guidelines:

- We could not build toward a global structure of peace while excluding 800 million people. A more stable international system had to reflect the massive weight and potential of China.
- Changes in the world generally, and in the Communist world particularly, called for a broader American approach. Having recovered from the ravages of World War II, our allies began asserting their autonomy. Independent voices began to be heard in the once solid Socialist community. The international environment had become multipolar; it was time our diplomacy did too.
- The United States has had a traditional interest in a peaceful, independent, and self-reliant China. This remained a more positive prospect than a China that felt isolated or threatened.
- There were many potential areas where bilateral contact could enrich the lives of our two peoples.

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- There did not seem to be major clashes of national interest between our two countries over the longer term. Our policies could be less rigid if we and the Chinese did not treat each other as permanent adversaries.
- A new approach was not to be directed against other countries. Indeed it could serve to broaden the horizons of international dialogue and accommodation.
- We believed that the People's Republic of China might be receptive to our approach.

So the times called for a fresh approach to China. But formidable obstacles, technical as well as political, lay in the way. In last year's Report I described the problems and the policies we employed to overcome them. Against a twenty-year backdrop of non-communication and sterile mutual recrimination, our task was twofold: to convey privately our views to the Chinese leadership and to indicate publicly the direction of our policy.

We had to find discreet and reliable means to transmit our views to Peking and get authoritative Chinese responses. We began this effort during the first weeks of my Administration. Up until the summer of 1971, we engaged in a delicate diplomatic minuet during which mutual confidence gradually increased and mutual intentions became more concrete.

Meanwhile we carefully orchestrated a succession of unilateral initiatives and positive statements. From mid-1969 onwards, we took a series of steps to relax trade and travel restrictions. They did not require a response from the Chinese; they were therefore neither dependent on Chinese reciprocity nor vulnerable to Chinese rejection. Individually these were not major steps, but cumulatively they etched the pattern more and more clearly. At the same time in official speeches and statements, such as my annual foreign policy reports, we mapped in increasingly sharp relief the road we were taking.

During the spring of 1971 the tempo accelerated in public and in private, with greater responsiveness from the Chinese. Peking's invitation to an American table tennis team to visit China in April was one among many public signals. Privately during that period we agreed that Dr. Kissinger should visit Peking from July 9 to July 11.

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On that trip we opened the door. Dr. Kissinger held intensive discussions with Premier Chou En-lai, and agreement was reached that I would visit the People's Republic of China. In the brief joint announcement that I read on July 15 we stated that "the meeting between the leaders of China and the United States is to seek the normalization of relations between the two countries and also to exchange views on questions of concern to the two sides."

In October, Dr. Kissinger returned to Peking to discuss the broad agenda for my visit and settle on the other major arrangements. The groundwork was thus laid for meetings at the highest levels.

The Journey to Peking

My trip to the People's Republic of China from February 21 to February 28, 1972 was the watershed in reestablishing Sino-American relations.

The carefully nurtured preparation held out the promise of a new direction; my meetings with Chairman Mao Tse-tung and Premier Chou En-lai firmly set our course. The Joint Communique at the end of my visit established the framework for progress; developments since then have accelerated the process of normalization.

Seldom have the leaders of two major countries met with such an opportunity to create a totally new relationship. It had taken two and a half years to cross the gulf of isolation and reach the summit. At the same time, the very factors which had made this journey so complicated offered unusual opportunities. The absence of communication, while making initial contact complex to arrange, also gave us a clean slate to write upon. Factors such as geography and China's recent concentration on internal matters meant that we had few bilateral matters of contention, though we lined up often on different sides of third country or multilateral problems.

Accordingly, the agenda for our discussions could be general and our dialogue philosophical to a much greater extent than is normally possible between nations. Indeed, it was this context and these prospects that, in our view, called for a summit meeting. With the Soviet Union a meeting at the highest levels was required to give impetus to, and conclude, a broad range of concrete negotiations. With the People's Republic of China, on the other hand, such a meeting was

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needed to set an entirely new course. Only through direct discussions at the highest levels could we decisively bridge the gulf that had divided us, conduct discussions on a strategic plane, and launch a new process with authority.

The primary objective, then, of my talks with the Chinese leaders was not the reaching of concrete agreements but a sharing of fundamental perspectives on the world. First, we had to establish a joint perception of the shape of our future relationship and its place in the international order. We needed a mutual assessment of what was involved in the new process we were undertaking and of one another's reliability in carrying the process forward. If we could attain this type of mutual comprehension, agreements could and would flow naturally.

Last February I described our expectations as I set out on my journey:

"Both sides can be expected to state their principles and their views with complete frankness. We will each know clearly where the other stands on the issues that divide us. We will look for ways to begin reducing our differences. We will attempt to find some common ground on which to build a more constructive relationship."

"If we can accomplish these objectives, we will have made a solid beginning."

Our discussions ranged broadly and freely. Both sides set forth their views with candor, neither evading nor downgrading differences. We were able to fulfill the expectations I had set forth earlier.

On February 27, 1972 we issued a Joint Communique in Shanghai that reflected this solid beginning. This document purposely was very unorthodox. Communiques often use general language, stress agreements, gloss over disputes, and use ambiguous formulas to bridge differences.

The Chinese leaders and we thought that such an approach would be unworthy of our unique encounter and our discussions. To pretend that two nations, with such a long separation and such fundamental differences, suddenly were in harmony would have been neither honest nor credible. The use of general or compromise language to paper over disputes would have been subject to misinterpretation by others; and it ran the risk of subsequent conflicting interpretations by the two sides.

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We decided instead to speak plainly. We echoed the frankness of our private talks in our public announcement. Each side forthrightly stated its world and regional views in the communique, and the lines of our ideology and foreign policy were clearly drawn.

Against this candid background, the areas where we could find agreement emerged with more authority. Our conversations made clear that in addition to genuine differences there were also broad principles of international relations to which we both subscribed. There was as well a joint determination to improve our relations both by accommodating our differences and developing concrete ties.

Accordingly, in the communique we agreed that despite differences in social systems and foreign policies, countries should conduct their relations on the basis of respect for sovereignty and territorial integrity, non-aggression against other states, non-interference in the internal affairs of others, equality and mutual benefit, and peaceful coexistence. International disputes should be settled on this basis without the use or threat of force. We and the People's Republic of China agreed to apply these principles to our mutual relations.

With these international principles in mind we stated that:

- "-- progress toward the normalization of relations between China and the United States is in the interests of all countries;
- "-- both wish to reduce the danger of international military conflict;
- "-- neither should seek hegemony in the Asia-Pacific region and each is opposed to efforts by any other country or group of countries to establish such hegemony; and
- "-- neither is prepared to negotiate on behalf of any third party or to enter into agreements or understandings with the other directed at other states.

"Both sides are of the view that it would be against the interests of the peoples of the world for any major country to collude with another against other countries, or for major countries to divide up the world into spheres of interest."

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These principles were of major significance. They demonstrated that despite our clear disagreements and our long separation we shared some fundamental attitudes toward international relations. They provided both a framework for our future relations and a yardstick by which to measure each other's performance.

With respect to the relationship of Taiwan to the mainland, the United States reaffirmed its interest in a peaceful solution of this question by the Chinese themselves. We based this view on the fact that all Chinese on either side of the Taiwan Strait maintain that there is but one China and that Taiwan is a part of China.

The communique then laid down the foundations for tangible improvements in our relations. These would allow us to move from the elimination of mistrust and the establishment of broad understandings to more concrete accomplishments:

- We agreed to facilitate bilateral exchanges in order to broaden the understanding between our peoples. Specific areas mentioned were science, technology, culture, sports, and journalism.
- We undertook to facilitate the progressive growth of trade between our countries. Both sides viewed economic relations based on equality and mutual benefit as being in the interests of our peoples.
- We decided to maintain contact through various channels, including sending a senior U.S. representative to Peking periodically to exchange views directly. This reflected a mutual desire to expand our communications.
- We also subsequently established a formal channel through our two embassies in Paris. This would institutionalize our contacts and facilitate exchanges, trade, and travel.

Major Advances in the Past Year

Since my visit to Peking the momentum of our relations has grown in all the fields covered by the Shanghai Communique.

As foreseen in the communique, Dr. Kissinger returned to Peking in June to review international issues with the Chinese and to stimulate progress in the various bilateral programs. Our embassies in Paris also facilitated the flow of groups and goods.

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The growth of our bilateral trade has exceeded expectations. In 1971, U.S. imports from China totalled \$4.9 million, while our exports were negligible. In 1972 we imported \$32.3 million worth of goods and exported \$60.2 million, an expansion of trade helped by the attendance of more than 150 American businessmen at the spring and fall sessions of the Canton Export Commodities Fair. In 1973, two-way trade is likely to show substantial additional growth, and may well place the United States among China's five largest trading partners. To encourage this expansion of commercial relations, a National Council for U.S.-China Trade was formed in early 1973 by a distinguished group of private business executives. This organization will seek to promote the orderly development of bilateral trade through exchange of information and facilitation of contacts between Chinese and American manufacturers, exporters, and traders.

A substantial beginning was made in the development of exchanges between our two countries. A championship table tennis team from the People's Republic toured the United States in April 1972, in return for the visit of the American team which had played in Peking a year earlier. Groups of Chinese doctors and scientists visited their counterparts in this country during the fall, under the sponsorship of the Committee on Scholarly Communication with the People's Republic of China. And in December, the Shenyang Acrobatic Troupe performed in four major American cities in a visit facilitated by the National Committee on U.S.-China Relations.

In turn, increasing numbers of Americans visited the People's Republic of China. The Majority and Minority leaders of the Senate were guests of the Chinese People's Institute of Foreign Affairs in April 1972, as were the House leaders in June. A group of doctors from the National Medical Association and a delegation of computer scientists visited their counterparts in China in the summer and fall. Among the journalists who toured the People's Republic during the year was a delegation from the American Society of Newspaper Editors. And in the scholarly areas, groups of distinguished American economists and China specialists toured the country, as well as substantial numbers of individual scientists and scholars from various fields.

Thus there was a significant resumption of cultural, scientific, and scholarly contacts, and the public media began to inform our peoples about one another. Chinese and Americans were rebuilding historic bonds.

A solid foundation was therefore established before Dr. Kissinger returned to Peking in February of this year in the wake of the Vietnam peace settlement. The joint announcement after that trip pointed to major progress in our relations with the People's Republic of China:

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- There were "earnest, frank, and constructive" talks in an "unconstrained atmosphere" with Chairman Mao, Premier Chou, and other Chinese officials.
- The two sides reaffirmed the principles of the Shanghai Communique and agreed to accelerate the normalization of relations.
- We agreed to broaden contacts in all fields, and establish a concrete program to expand trade and exchanges still further.
- We decided to settle in a comprehensive manner the long-standing issues of private U.S. claims against the Chinese government and blocked Chinese assets in the United States. Secretary of State Rogers and Chinese Foreign Minister Chi Peng-fei reached agreement in principle on this issue a week later in Paris. Final settlement will open the way for further expansion of our bilateral commercial relations.
- Most importantly, we agreed that each country would establish a Liaison Office in the capital of the other. They will be functioning very shortly. Both sides have appointed senior representatives with long diplomatic experience. This major step both reflects - and will promote - the increase in our communications and bilateral programs. Practically, the offices will enable us to deal with each other directly in Washington and Peking. Symbolically, they underline the progress made to date and our joint intention to proceed on the path we have chosen. They represent a milestone in our developing relationship.
- The Chinese agreed to free the two American pilots captured during the Vietnam War. They also promised to review later the already shortened sentence of another American prisoner. The pilots were released on March 15, 1973, while the other American was released early on March 10, 1973.

We thus moved decisively from the conceptual to the concrete. What was theoretically desirable was increasingly being practiced. What was still partly tentative and experimental would now be reinforced and expanded. What was indirect could now be made direct.

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Several factors contributed to this major advance in our relationship:

- Eighteen months of authoritative and wide-ranging discussions had made clear to each side the other's philosophy and principles. We both decided that our shared interests in bettering relations outweighed our differences on specific questions. Where differences existed, we had found ways to accommodate them without sacrificing principles.
- Since the initial openings, the two sides had established considerable reliability in our dealings, both bilateral and multilateral.
- Implementation of the Shanghai Communique had proceeded satisfactorily, and it was agreed that new steps were required to accelerate progress. Both we and the Chinese believed that it was important to institutionalize our new relationship.
- Finally, while most of these factors had been developing for many months, the Vietnam War had still inhibited our progress. With the achievement of a negotiated settlement, the major obstacle to improved relations was removed.

Our Future Course

In my first term we moved a long way with the People's Republic of China. Together we have revived our historic association, set a new direction, and launched a purposeful process.

We are resolved to continue on this course. We are under no illusions, however, that its development is inexorable. There will be a continuing need for meticulousness and reliability, for although we have come a remarkable distance, two decades of blanket hostility cannot be erased completely in two years. In any event, our ideologies and views of history will continue to differ profoundly. These differences, in turn, will be translated into opposing policies on some issues which will continue to require mutual restraint and accommodation. And over the longer term the inevitable changes in the world environment will continually inject new factors that could test our relationship.

We nevertheless remain basically confident that relations between the United States and the People's Republic of China will continue to develop in a positive direction. The driving force behind this process is not personalities,

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or atmosphere, or a sense of adventure, or transitory tactical benefits. Our two nations undertook this course in full knowledge of our differences. We chose to change our relationship because this served our fundamental national purposes.

America maintains its historic concern for an independent and peaceful China. We see in this prospect nothing inimical to our interests. Indeed, we consider it to be strongly in the interest of regional and world stability. China, in turn, has nothing to fear from America's strength. The broadening of diplomatic horizons has already paid dividends for us both and represents an enduring asset. Our past differences notwithstanding, we have many positive elements to draw upon -- the traditional friendship of our two peoples, the cultural and scientific contributions we offer one another, the lack of any directly conflicting interests, and the commonly shared principles of international relations expressed in the Shanghai Communique.

This Administration will pursue the further improvement of relations with the People's Republic of China with dedication and care. The same considerations that prompted us to begin this process four years ago motivate us now to continue it. And our guidelines remain constant:

- Our objective is to build a broader and steadier structure of peace.
- We seek the tangible dividends of a flourishing relationship between the Chinese and American peoples.
- Our relations will be based on equality and reciprocity.
- This process is not directed against any other country.
- We shall pursue our policy in close consultation with our friends.

Within this framework we will work increasingly to realize the perspectives that we and the Chinese envisioned at the close of the Shanghai Communique:

"The two sides expressed the hope that the gains achieved during this visit would open up new prospects for the relations between the two countries. They believe that the normalization of relations between the two countries is not only in the interest of the Chinese and American peoples but also contributes to the relaxation of tension in Asia and the world."

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THE SOVIET UNION

In the week of May 22-29, 1972, the United States and the Soviet Union took a decisive turn away from the confrontations of the past quarter-century. We agreed to limit the growth of strategic weaponry. We established a set of basic principles to govern our relations. And we constructed a framework of agreements leading to more normal bilateral cooperation.

Each of the accords signed in Moscow was a significant achievement in itself. Never before have two adversaries, so deeply divided by conflicting ideologies and political rivalries, been able to agree to limit the armaments on which their survival depends. Nor has there been, at any time in the postwar period, a code of conduct that both sides could accept as the basis for regulating their competition and channeling their efforts toward more constructive endeavors.

But beyond their individual merits, the summit agreements taken together represent a major advance toward a goal set forth at the beginning of this Administration: to effect a basic change in our relations with the Soviet Union in the interest of a stable world peace from which all countries would benefit.

In considering the course of Soviet-American relations during the past year, it is important to understand the nature of the specific agreements, the conditions that have made these achievements possible, and what the future may hold.

The Initial Approach: 1969-70

Four years ago, our relations with the Soviet Union and international relations generally were still dominated by the fears, anxieties, and atmosphere of the Cold War. The invasion of Czechoslovakia had recently occurred. While the Soviet Government made overtures for better relations, its motives seemed largely tactical. Yet, beneath the surface, it was apparent that the pattern of world politics was in the process of major transformation. The salient features of this change have been described in my previous Reports. Certain elements had special relevance for our relations with the Soviet Union.

-- Divisions within the Communist world had deepened; state and national interests of the major Communist powers were increasingly reflected in their policies toward non-Communist countries.

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- The realignment of political forces in the Communist world coincided with the economic revival of Western Europe and Japan, reinforcing the trend toward multipolarity.
- In particular, the more nearly equal strategic balance between the United States and the Soviet Union suggested that conditions might be optimal for reaching agreement to limit strategic competition.

Recognizing these international trends, this Administration began in 1969 to reassess our relations with the Communist countries. Certain aspects of Soviet-American relations were clear: the postwar rivalry with the Soviet Union was not a result simply of misunderstanding, or personal animosities, or a failure to create a good atmosphere for negotiations. The conflict was rooted in deeper differences: irreconcilable ideologies, the inevitable geopolitical competition of great powers conducting global policies and, to a certain degree, bureaucratic momentum and the disillusionment created by decades of fluctuation between hopes and tensions.

To break the pattern of the postwar period required policies that distinguished between the sources of conflict and their external or temporary manifestations. We needed not merely a better climate for our relations, but a new environment in which the United States and the Soviet Union could exercise their special responsibilities for peace. Ultimately we hoped to create mutual interests in maintaining and developing an international structure based on self-restraint in the pursuit of national interests.

The approach we adopted reflected certain general concepts.

- It was no longer realistic to allow Soviet-American relations to be predetermined by ideology. We had to recognize, of course, that many basic Soviet values would remain inimical to ours. Both sides had to accept the fact that neither was likely to persuade the other through polemical debates. But ideological elements did not preclude serious consideration of disputed issues.
- Irrespective of ideology, any relationship between two great powers would be highly competitive. Both sides had to recognize, however, that in this continuing competition there would be no permanent victor, and, equally important, that to focus one's own policy on attempts to gain advantages at the other's expense, could only aggravate tensions and precipitate counteractions.

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- Both sides had to accept the fact that our differences could not be hidden merely by expressions of goodwill; they could only be resolved by precise solutions of major issues.
- Both sides had to understand that issues were interrelated; we could not effectively reduce tensions through marginal agreements or even an isolated agreement of importance. Experience had shown that isolated accomplishments were likely to fall victim to tensions and crises in other aspects of the relationship. Thus, if we were to achieve more than a superficial change, we had to address a broad range of issues.
- Finally, we would judge Soviet actions rather than words. The basic criterion would be a willingness to act with restraint. We would respond constructively to Soviet initiatives; progress in one area would help maintain momentum in other negotiations. We would also make it clear that aggressive behavior could imperil our entire relationship. By linking all aspects of Soviet-American relations, we could hope that progress, if it came, could lead to a broadly based understanding about international conduct.

These general principles were translated into specific proposals during 1969 and 1970.

After a painstaking evaluation of all aspects of limiting strategic arms, we agreed to begin negotiations in November 1969. On other disarmament matters, we revived negotiations on prohibiting nuclear arms from the seabeds and took up the new challenge of limiting biological warfare.

In Europe, we reconfirmed NATO proposals to begin discussing mutual and balanced force reductions in Central Europe where the concentrations of opposing forces were heaviest. We proposed to approach the issue of European security by negotiating, first of all, improvements in the situation in Berlin. The Berlin negotiations would be critical, not only because that divided city had been the scene of tense confrontations in the past, but because it was also the keystone in West Germany's effort to create a more normal relationship with its Eastern neighbors. That normalization would, in turn, influence the new prospects for a wider discussion of European security and cooperation, including a possible conference of European governments, Canada, and the United States.

As for economic relations, I indicated that the United States was prepared to have normal economic exchanges with any country that was equally willing to move toward normal relations in both political and economic fields.

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On the Middle East, we agreed to discussions with the United Kingdom, France, and the Soviet Union, and we encouraged the Arab governments and Israel to undertake direct negotiations.

In this initial period, we tried to create circumstances that would offer the Soviet leaders an opportunity to move away from confrontation through carefully prepared negotiations. We hoped that the Soviet Union would acquire a stake in a wide spectrum of negotiations and would become convinced that its interests, like ours, would be best served if this process involved most of our relations. We sought, above all, to create a vested interest in mutual restraint.

Our relations with the Soviet Union passed through several tactical phases. It was apparent that Soviet policy had contradictory tendencies. Some factors pointed toward a more stable relationship with the United States; others suggested a continued probing for tactical gains. In this period, we dealt with these contradictory manifestations by responding to positive efforts and demonstrating firmness in the face of pressures. I opened a direct channel to the Soviet leaders so we could discuss the issues frankly and privately.

The first phase, lasting throughout 1969, was marked by obvious caution, as we made only limited progress in engaging major issues but achieved some improvement in the tone of exchanges. In the spring of 1970 we agreed to negotiate on Berlin, and the Strategic Arms Limitations Talks (SALT) moved from initial explorations to concrete discussions.

A period of tension, however, occurred in 1970 over the Soviet role in Egyptian ceasefire violations in the Middle East, the Syrian attack on Jordan, and Soviet naval activities in Cuba. Similar tension arose from the crisis in the Indian subcontinent for a period in late 1971. Such developments gave us grounds for serious concern, and we reacted vigorously.

At the same time, the Soviet Union pursued a policy of relaxing tensions in Europe, suggesting that its strategy was to differentiate between the United States and our allies. This tactic, however, had limited potential since European issues were inseparable from the strategic framework of U.S.-Soviet relations. Moreover, the Soviet emphasis on certain bilateral relations lacked a general European framework, which could not be developed without the United States or without considering the impact of a controlled relaxation of tensions in East Europe.

The Road to the Summit

Thus we passed through a series of episodes that gave the Soviet Union no advantage and achieved no fundamental change. In each phase we sought to demonstrate the wisdom of restraint and the dangers of its absence. At the end

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of 1970, it appeared that the tensions in U.S.-Soviet relations might lead the Soviet leaders to reconsider their relations with the United States. I felt that an opportune moment had arrived for new initiatives to end tactical maneuvering and to move toward accommodation.

Despite the erratic developments of 1969 and 1970, some positive trends were evident. As I said at the United Nations in the fall of 1970, we shared certain compelling common interests, above all an interest in reducing the dangers of war. That the Soviet Union shared this concern was reflected in the continuation of the negotiations on strategic arms limitations, the mutual willingness to pursue an agreement on Berlin and the insulation of these serious issues from developments in Southeast Asia.

In the winter of 1970-71 Soviet leaders were looking toward their Party Congress, where broad policy guidelines are usually enunciated. It appeared at the time, and even more clearly in retrospect, that the broad changes in the nature of international relations, as well as their experience of the previous two years in relations with us, were having an impact on their preparations. It was thus a promising moment to delineate the progress that could be made if certain decisions were taken.

-- SALT negotiations were temporarily deadlocked over whether to negotiate an agreement limiting anti-ballistic missiles (ABMs) alone, as the Soviets insisted, or an agreement embracing both defensive and offensive limits. For the United States, it was essential that an initial SALT agreement should begin to break the momentum in the growth of offensive forces. If the buildup continued unchecked, it would almost certainly produce dangerous strategic instabilities -- especially if limitations on missile defense created a premium on striking first. This was not a tactical dispute, but a major substantive issue that could only be resolved by high-level political decisions.

-- The treaty reached between West Germany and the Soviet Union in August 1970 had changed the character and significance of the Berlin negotiations among the Four Powers. Ratification of this treaty depended on the outcome of the negotiations over Berlin. And it was general Western policy that the prospect for a wider European dialogue on security was similarly conditioned on a Berlin agreement that would safeguard access to the city and its links to the Federal Republic. Thus, progress on Berlin would also involve basic decisions in Moscow.

Through intense and private exchanges with the Soviet leaders, a breakthrough was made, first in SALT, then in the Berlin negotiations.

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- A new framework was created for SALT in May 1971, maintaining the link between offensive and defensive limitations, as the United States believed essential. At the same time, we agreed to concentrate our efforts on ABM limitations. Since these systems were not extensively deployed, we envisaged a permanent treaty. We also agreed to work out an interim accord limiting certain offensive weapons. Both agreements would be completed simultaneously.
- The Berlin agreements were blocked by conflicting legal positions on the status of the city and on West Berlin's ties to the Federal Republic of Germany. Progress became possible in July and August 1971 when all concerned agreed to seek an agreement that dealt concretely with the practical question of how to maintain West Berlin's many links to the Federal Republic, including unimpeded access to West Berlin by road and rail.

These breakthroughs on major substantive issues made it possible to look toward a summit meeting.

The SALT discussion resumed in July 1971, building on the political framework agreed upon with the Soviet leaders. Two agreements were signed in September -- one to improve the "hot line" between Washington and Moscow, and the other to reduce the likelihood of an accidental nuclear war by exchanging information on certain missile testing activities. The breakthrough on Berlin led to the signing in September of 1971 of the first part of the Four Power Agreement, which in turn opened the way for further negotiations between East and West Germany on the technical questions of access to the city.

My private communications with the Soviet leaders had included the possibility of a meeting at the highest level. My views on this question of a meeting had been stated in the first weeks of my Administration: a meeting at the summit would only be justified if it were carefully prepared and if there were sufficient reasons to believe that it would be the most effective way of proceeding toward solutions of major questions. By the fall of 1971, it appeared we could meet these conditions. Thus, when Foreign Minister Gromyko visited Washington in October 1971, we agreed that a summit meeting would be held, not for its own sake, but as a culmination of concrete progress and as a means of stimulating further advances. It was agreed the meeting should be held in May 1972.

I envisaged this meeting as having four aspects:

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- As political relations improved, it became possible to initiate discussions on a wide range of projects for bilateral cooperation. In themselves, these projects were not crucial to our relationship. But cumulatively, as cooperation in such fields widened and deepened, they would reinforce the trend toward more constructive political relations. In the pre-summit period we discussed cooperation in science, technology, health, the environment, outer space, and maritime activities. The prospect of a summit meeting gave these discussions a special impetus and high-level attention. At the summit, these discussions could culminate in a series of agreements.
- Advances in political relations had by that time made it possible to address economic relations. The starting point was the removal of long-standing obstacles to closer commercial contacts -- such as the unsettled World War II lend-lease debt. Then we could go on to establish longer-term arrangements for expanding trade and other types of economic cooperation on a scale appropriate to the size of our two economies.
- The summit could complete the first phase of the SALT negotiations and provide impetus for the next, even more far-reaching phase.
- Finally, on the basis of all of these specific achievements, carefully prepared in the previous months of painstaking negotiations, the summit would afford an opportunity to review the whole range of international issues and to delineate certain fundamental principles to govern U.S.-Soviet relations in the future.

Thus, the summit could redirect the momentum of the past and chart a new direction in our relations with the Soviet Union, creating in the process a vested interest in restraint and in the preservation of peace.

The Moscow Summit

We prepared for and conducted the summit on this basis. We sought to establish not a superficial "spirit of Moscow" but a record of solid progress. The number and scope of the agreements that emerged make it clear we accomplished that goal.

Bilateral Cooperation. The prospect of a meeting at the highest level accelerated the negotiations on bilateral matters. At the summit it was thus possible to conclude agreement on significant cooperative projects.

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- Cooperation in the exploration of outer space, including a joint experiment in rendezvous and docking of Apollo and Soyuz space vehicles during 1975.
- Cooperation in solving the most important of the problems of the environment.
- Joint efforts in the field of medical science and public health.
- Expanded cooperation in many areas of science and technology and establishment of a Joint Commission for this purpose.
- Cooperation between the American and Soviet navies to reduce the chances of dangerous incidents between ships and aircraft at sea.

Since the summit, all of the agreements have been carried out as expected. Our space agencies have conducted preliminary tests of models of the space-craft docking system and crew training will begin this summer. The Joint Committee on Environmental Protection met in Moscow in September 1972 and planned 30 collaborative projects on a variety of subjects, including air and water pollution. Programs for cooperative research on cancer and heart disease were developed by our public health authorities in October and November 1972. The Joint Commission on Science and Technology met in Washington in March 1973 and agreed to carry out some 25 projects in such fields as energy, chemistry, biology, and agricultural research. American and Soviet naval officers will meet this year to review the agreement on reducing incidents between ships and aircraft.

This process of cooperation has begun to engage an ever widening circle of people in various professions and government bureaus in both countries. Direct contact, exchanges of information and experience, and joint participation in specific projects will develop a fabric of relationships supplementing those at the higher levels of political leadership. Both sides have incentives to find additional areas for contact and cooperation, and I anticipate further agreements patterned on those already concluded.

Economic Relations. In the past, many in the United States believed trade could open the way to improved political relations. Others argued that increased economic relations would only strengthen the power of a potential adversary. In fact, trade and other aspects of economic relations could never flourish if political relations remained largely hostile. Occasional business transactions might be worked out on an individual basis. But without some reasonable certainty that political relations would be stable and free from periodic turbulence,

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both sides would be reluctant to enter into long-term commercial relations. Nor would the Congress support an expanding economic relationship while our basic relations with the Soviet Union were antagonistic. With these considerations in mind, in the earlier years of this Administration I linked the expansion of economic relations with improved political relations.

Since progress was being made in the pre-summit period in removing sources of political tension, I authorized explorations in the economic sphere. I sent the Secretaries of Commerce and Agriculture to the Soviet Union for discussions. The Soviet Ministers of Foreign Trade and Agriculture came to the United States for the same purpose. We began negotiations on a maritime agreement to make concrete arrangements for orderly transport of goods between the two countries.

By the time of the summit, sufficient progress had been made so that in my discussion with the Soviet leaders we were able to agree on a general plan for moving toward a more normal economic relationship. We agreed it was essential to clear away the long-standing Soviet lend-lease debt to the United States. We also decided that a formal trade agreement was needed to provide the basis for resolving the many technical problems resulting from the long absence of economic intercourse. We agreed to act in accord with generally established international practice as regards: arbitration of disputes, establishment of commercial facilities in each country, procedures to prevent market disruption, reciprocal extension of Most Favored Nation (MFN) treatment, reciprocal extension of commercial credits, and determination of the general level of trade. We established a Joint Commercial Commission to maintain contacts, to resolve issues that might arise, and to be responsible for carrying out the general agreement worked out with the Soviet leaders.

Following the summit, intensive negotiations began under the leadership of U.S. Secretary of Commerce Peterson and Soviet Minister of Foreign Trade Patolichev. In July 1972, a three-year agreement for the export of United States agricultural products and for the extension of credits to finance these sales was concluded. By October, the principal agreements were completed: a settlement of the lend-lease question, a formal trade agreement, and a maritime agreement.

- We had tried to work out a lend-lease settlement immediately after World War II, again in 1951 and in 1960, but had failed on each occasion. The main issues were the amount of settlement, whether interest payments should be included, and the length of time for repayment. The settlement reached in October 1972 provides for a total

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repayment of approximately \$722 million, to be paid over a period of about 30 years. This compares favorably with other settlements of wartime obligations.

- The trade agreement anticipates a total exchange over the next three years of goods worth about \$1.5 billion; it also provides for expanded business facilities for American firms in the Soviet Union, a large trade center complex in Moscow, provisions for third-party arbitration of disputes, and procedures to prevent market disruptions.
- Each country will reduce tariffs on the other's imports, so that the level of tariff charges is about the same as that charged against the products of any other country (MFN treatment). This had been the practice in Soviet-American relations from 1935 to 1951, when it was terminated during the Korean War. Extension of Most Favored Nation treatment is consistent with the principles of the General Agreement on Tariffs and Trade (GATT).
- The October agreement also provides for the reciprocal extension of credit arrangements, customary in financing an expansion of exports. I authorized the Export-Import Bank to engage in credit transactions with the Soviet Union, and the Soviet Foreign Trade Bank and other Soviet organizations will provide credits to American businesses.
- An agreement on maritime relations signed on October 14, 1972, was another essential element to the orderly expansion of commerce. We agreed to ease procedures for access of Soviet and American ships to each other's ports. The agreement also provides that the ships of each side will carry equal and substantial shares of future oceanborne commerce. And it provides for a system of equitable freight rates.

These agreements open the way not only for a prompt invigoration of trade but also for developing these relations into a permanent component of the overall relationship projected at the summit. It is not a question of whether certain elements should be separable, or conditional, but whether we wish the entire process of a broadly based new relationship with the Soviet Union to unfold.

The next step is to end discrimination against imports of Soviet goods into this country so that the Soviet Union can earn the dollars to help it pay for imports from the United States. This step will require action by the Congress to provide the President with authority to negotiate the reciprocal extension of

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Most Favored Nation treatment. I have submitted legislation to the Congress in this regard, as I am committed to do under the agreements reached with the Soviet Union. Extension of MFN is a logical and natural step in the emerging relationship; it is not a unilateral concession but a means to expand commerce in the context of broadly improved relations.

We are also prepared to consider possible longer-term cooperative ventures. The Soviet Union has vast natural resources, such as natural gas, that can be developed with the help of American capital and technology. These resources would then be available for export to the United States, thus enabling the Soviet Union to repay our credits and pay for imports from the United States. The role of our government should be to establish a framework within which private firms might work out specific contracts. Since the Soviet Union plans its economic program for five-year periods, its willingness to enter into long-term ventures of this kind suggests an expectation of cooperative relations and imports requiring dollar payments well into the future. Such ventures do not create a one-sided dependence by the United States upon Soviet resources; they establish an interdependence between our economies which provides a continuing incentive to maintain a constructive relationship.

The SALT Agreements. Of historic significance were the two agreements which General Secretary Brezhnev and I reached limiting strategic arms: a treaty limiting anti-ballistic missile systems, and an interim agreement limiting certain strategic offensive weapons. These agreements are discussed in detail in the Arms Control section of this Report. Technical aspects of arms control were at the core of the negotiations, but the significance of the agreements transcends specific provisions and goes to the heart of the postwar competition between us.

Some years ago, when the United States was strategically predominant, an agreement freezing the strategic balance was unrealistic. It was highly improbable that the Soviet Union would resign itself to permanent inferiority. Indeed, after the 1962 Cuban missile crisis, the Soviet Union began a major expansion in its strategic weaponry. Had this expansion continued unabated through the 1970's, the United States would have had no choice but to launch a massive new strategic armament program. The present moment thus offered a unique opportunity to strike a reasonable balance in strategic capabilities and to break with the pattern of unlimited competition.

Such an opportunity posed a fundamental question: could both sides accept the risks of restraint explicit in arms limitations? In the defensive field, new programs offered some element of protection but beckoned a new

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round of competition. Offensive systems were required to guarantee security, but their steady accumulation created a momentum toward capabilities that threatened strategic equilibrium.

Each of us had the power singlehandedly to destroy most of mankind. Paradoxically, this very fact, and the global interests of both sides, created a certain common outlook, a kind of interdependence for survival. Although we competed, our conflict did not admit of resolution by victory in the classical sense. We seemed compelled to coexist. We had an inescapable joint obligation to build a structure for peace. Recognition of this reality has been the keystone of United States policy since 1969.

Obviously, no agreement could be reached involving weapons that guaranteed national survival if both sides did not believe their interests were served despite the risks. No decision of this magnitude could have been taken unless it was part of a broader commitment to place relations on a new foundation of restraint, cooperation, and steadily evolving confidence. Even agreements of such overriding importance cannot stand alone, vulnerable to the next crisis. Their tremendous historical and political significance is guaranteed, in part, by the fact that they are woven into the fabric of an emerging new relationship that makes crises less likely.

There is reason to hope that these accords represent a major break in the pattern of suspicion, hostility, and confrontation that has dominated U.S.-Soviet relations for a generation.

Principles of U.S.-Soviet Relations. The fourth area of major progress at the summit was the agreement on twelve Basic Principles signed on May 29, 1972. This far-reaching step placed all our other efforts on a broader foundation. A new relationship would require new attitudes and aspirations. It was appropriate that this change be reflected in a formal statement. These principles codify goals that the United States had long advocated, as I did for example, in my address to the United Nations in October 1970. The main provisions state that both sides will:

- do their utmost to avoid military confrontations and to prevent the outbreak of nuclear war;
- always exercise restraint in their mutual relations and will be prepared to negotiate and settle differences by peaceful means. Discussions and negotiations on outstanding issues will be conducted in a spirit of reciprocity, mutual accommodation, and mutual benefit.

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- recognize that efforts to obtain unilateral advantage at the expense of the other, directly or indirectly, are inconsistent with these objectives;
- make no claim for themselves, and not recognize the claims of anyone else, to any special rights or advantages in world affairs.

These are specific obligations. They meet some of our fundamental concerns of the postwar period. They are the elements that made it possible to summarize one general principle governing Soviet-American relations:

"They will proceed from the common determination that in the nuclear age there is no alternative to conducting their mutual relations on the basis of peaceful coexistence. Differences in ideology and in the social systems of the United States and the Soviet Union are not obstacles to the bilateral development of normal relations based on the principles of sovereignty, equality, non-interference in internal affairs, and mutual advantage."

What we have agreed upon is not a vain attempt to bridge ideological differences, or a condominium of the two strongest powers, or a division of spheres of influence. What we have agreed upon are principles that acknowledge differences, but express a code of conduct which, if observed, can only contribute to world peace and to an international system based on mutual respect and self-restraint.

These principles are a guide for future action, not a commentary on the past. In themselves, they will have no meaning if they are not reflected in action. The leaders of the Soviet Union are serious men. Their willingness to commit themselves to certain principles for the future must be taken as a solemn obligation. For our part we are prepared to adhere to these principles, and hope that the Soviet leaders have the same serious intention.

The Road Ahead

In reporting last year to the Congress on prospects for a summit meeting, I noted that we could not expect to solve the accumulated problems of two decades in one meeting, but that we did have the opportunity to open a new era in international relations. If we were successful, I said, the transformation of Soviet-American relations could become one of the most significant achievements of our time.

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I believe we have now taken that essential first step in freeing both of our countries from perpetual confrontation. From confrontation we have moved to negotiation and then to a broadening range of fields. The promise of this beginning obliges us to see it through.

The tasks ahead reflect the successes of this past year as well as the disappointments:

- We are now in the second phase of our effort to limit strategic arms. We can build on what has been achieved. We understand each other's concerns better now than four years ago. We have established a common vocabulary and a technical framework in which to examine issues. And we have developed a measure of respect and confidence in each other's seriousness of purpose.
- But we face a severe challenge: each side is called on to make commitments, limiting its strategic offensive weapons for this decade and beyond. This will require political decisions to respect each other's basic security requirements and a willingness to balance each other's legitimate interests in an equitable and mutually satisfactory settlement.
- In Europe, the progress in Soviet-American relations has been a catalyst for further change. Whereas East-West relations in Europe were confined to bilateral relations in the past few years, we are now entering negotiations that involve fuller participation by our allies. The issues of European security and cooperation or reciprocal and balanced force reductions cannot be settled by the United States and the Soviet Union alone. We and the Soviet Union, however, can each make a significant contribution to progress on these issues -- and that progress, in turn, will reinforce the favorable momentum in our bilateral relations by demonstrating that detente is broadly based and serves the interest of all European countries.
- In the Middle East, the United States and the Soviet Union, separately and perhaps together, can also make a contribution to peace. Each of us plays a different role and has different interests and conceptions. But we have a common interest in averting confrontation. Proceeding from this principle, we can both exert our influence in the direction of a peaceful settlement among the parties directly concerned.

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- In bilateral relations we can build on the progress already achieved at the summit. Though less dramatic than the larger political issues, harnessing our technological expertise and creativity in the service of both our peoples can produce lasting benefits for all.
- We have an opportunity and obligation to convert the promise of our agreements on economic relations into reality. We are discovering areas where the American and Soviet economies are complementary. The Soviet Union has certain resources that meet our needs, while we can export commodities and products which the Soviet Union wishes to import.

A year ago, I reported that a new momentum had been given to efforts for achieving a more constructive relationship with the Soviet Union. I believe that this momentum has carried us across a new threshold.

We are now in a new period, but we have only witnessed its initial phase. It is only realistic to recognize that there have been periods of relaxed tensions before, and earlier hopes for a permanent end to the hostilities of the Cold War. Present trends of course can be reversed; new factors will appear; attitudes can shift. This may be particularly true in a period of transition.

In the past, changes in our relations with the Soviet Union proved episodic, in part because they reflected tactical motives or were limited to changes in climate rather than substance. What we created at the summit last year is more durable. It rests on solid, specific achievements that engage the interests of both sides. But it will take patience, hard work, and perseverance to translate our broad understandings into concrete results. If we can do this, the United States and the Soviet Union can move from coexistence to broad cooperation and make an unparalleled contribution to world peace.

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PART II
ENDING CONFLICT
Vietnam
Laos and Cambodia

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VIETNAM

On January 27, 1973, when the United States and the three Vietnamese parties signed "The Agreement on Ending the War and Restoring Peace In Vietnam," we completed one of the most difficult chapters in our history. It was an honorable ending to a long and costly effort.

Peace in Indochina is not yet solid or comprehensive. But four years of intensive negotiations and the steady transfer of responsibilities to our friends achieved the fundamental goals we had set. As a result of the Agreement:

- Our military forces have left South Vietnam with honor.
- Our prisoners have returned to their homes and families. A full accounting for all those missing in action is stipulated.
- There is a ceasefire, though still imperfectly observed, in Vietnam and Laos.
- The South Vietnamese people have the opportunity to determine their own political future.

The settlement is a tribute to the brave people of South Vietnam. It is also a monument to the valor of American fighting men and the steadfastness of the American people who supported an unselfish but extremely difficult mission until that mission was accomplished.

What We Found

From the moment I took office, my highest priority was to bring an honorable end to the war in Vietnam. America had been involved for eight years in a well-motivated but costly and seemingly endless effort. Every year we had sent more men to Vietnam. Our casualties, draft calls, and financial costs had risen steadily. The war dominated our national attention. Abroad it complicated our efforts to adjust to changing conditions. At home it fostered growing dissent.

Clearly we needed to end the war, or at least our involvement in it. But if this was our most urgent task, it was also our most difficult. For the way we went about it would have much to do with the future of American foreign policy and the future of our own society.

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The costs and frustrations of our involvement had led an increasing number of Americans to urge extreme solutions -- either massive military escalation or immediate retreat. We rejected both options. Trying to win the conflict by all-out military measures would have deepened the divisions in our society, and risked drawing other nations into the war. It would not have addressed the complex nature of the struggle and therefore was likely to be indecisive.

Immediate withdrawal from Vietnam might have brought a sense of temporary relief in this country. But soon this mood would have turned to regret and recrimination. We could not suddenly abandon allies with whom we had stood for so many years. We could not mock the sacrifices of Americans who had given their lives. We could not set out to shape a responsible American foreign policy with a first step of heedless abdication. Reckless withdrawal certainly would have brought neither peace to South Vietnam nor honor to America. It might have led to the collapse of Southeast Asia, and it would have crippled our efforts to build peace in the world.

But neither could we continue on the path we found. Our troop levels had risen steadily for five years and had reached an authorized level of 549,500. Our combat deaths had mounted to an average of 278 weekly during 1968. We were spending an additional \$22 billion each year on the war. Draft calls had risen to a monthly average of 30,000. And despite this investment, there was no decisive outcome on the battlefield.

The picture was similarly bleak at the conference table. As a result of our bombing halt, public negotiations had been launched in Paris but they had proved sterile. Only procedural matters had been settled. No comprehensive plans for a settlement lay on the table. No prospects for a breakthrough existed.

The Basic Foundation: Vietnamization

Faced with this situation, we chose what we believed to be the only responsible course -- to follow the parallel tracks of negotiation and Vietnamization. Our first preference was a negotiated settlement, and we undertook both public and private diplomacy to this end. Our irreducible conditions were that the people of South Vietnam be allowed to determine their own future and that all our prisoners be returned. We also looked toward a ceasefire to end the war for all participants.

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But one side cannot negotiate a peace, and the North Vietnamese constantly made two unacceptable demands. First, they insisted we withdraw totally from South Vietnam before any other conditions were even discussed. Secondly, they demanded we overthrow the existing government in South Vietnam and replace it with a Communist-dominated structure. This was the only way, they said, to get our prisoners back or obtain an overall settlement. Unless we were prepared to hand South Vietnam over to the enemy, there was no prospect of an early breakthrough at the conference table.

Therefore, even while we sought peace through negotiations, we needed an alternative course of action. We wanted to ensure that:

- Our withdrawal would not depend on the enemy's reasonableness at the conference table. We wanted to reduce our involvement to demonstrate that it was not open-ended.
- The act of our withdrawal would not overthrow the non-Communist forces. We were determined to disengage responsibly.

We thus developed the Vietnamization program in close cooperation with the Government of the Republic of Vietnam (GVN). This policy was designed to strengthen the armed forces and the people of South Vietnam so that they could defend themselves. As their forces increased in numbers, equipment, combat skills, and leadership, they progressively assumed responsibility for their own defense. The process also involved the extension of governmental authority in the countryside through the pacification program, the growth of economic capacities, the development of political institutions -- all the elements that would allow South Vietnam to stand on its own.

While negotiations foundered on Communist intransigence, Vietnamization was an honorable and convincing alternative. We had the following considerations in mind:

- Vietnamization allowed us unilaterally to achieve our objective of winding down our involvement.
- We had to ensure that our friends over the longer term could take over their self-defense completely, since we could not stay there indefinitely.
- Our policy reflected our overall approach to friends and allies around the world -- we would continue to play a strong supporting

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role, but we would increasingly look to our partners to assume greater responsibilities for their security and development.

- We needed to demonstrate to Hanoi and its allies that we had an option so long as they blocked progress at the conference table -- one that enabled our allies to stand on their own and could gain the support of the American people for a continuing role until our allies were ready.

The tangible progress of Vietnamization was reflected in the statistics. In four years, we progressively reduced our presence from more than half a million men to 27,000, a 95 percent cut, by December 1, 1972. Other allied forces from Korea, Thailand, Australia, New Zealand, and the Philippines were withdrawn or phased down during the period. American casualties in South Vietnam fell from almost 300 a week when we took office to 26 a week in 1971, and to only four a week during the final six months of our involvement. Over 60 percent of the casualties under this Administration occurred in 1969 before our policies could take hold. We reduced the cost of the war by billions of dollars each year.

During this period, the South Vietnamese progressively took over the battle. Our ground combat role was steadily reduced and officially ended on June 30, 1972. Our friends also assumed all naval missions and an increasing share of direct air support. The South Vietnamese armed forces and people shouldered the burdens with courage and skill. And all the other crucial indicators of the struggle stayed promising also -- the security situation in the countryside, the performance of the economy, and the cohesiveness of the political fabric.

The Need for Decisive Action

During this process, firm but measured military actions were also required:

- To protect our men in Vietnam as their numbers declined.
- To assure the continued success of Vietnamization and thus reduce our presence, our casualties, and our costs.
- To demonstrate that the enemy could not wage war on South Vietnam with impunity while using the rest of Indochina as a base area and stalling us at the conference table.

The North Vietnamese stepped up their pressure during the first months of each year, after building up their potential during the dry season. In 1969

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shortly after we took office, they increased their attacks in South Vietnam. In 1970, they launched major attacks in Cambodia, attempting to link up their base areas into one continuous band. In 1971 they staged a major buildup in southern Laos.

These operations threatened American and allied forces. Beyond that, they challenged the whole Vietnamization program. The Communists were intent on expanding their base areas bordering South Vietnam, strengthening their logistics network, and linking up conventional and guerrilla forces for future assaults.

Our basic strategy was to blunt the threat to our men, meet the challenge to our program, and buy the time needed to make our ally self-sufficient. Our actions were defensive and limited in both duration and scope. In 1970 there were joint U.S.-South Vietnamese operations against the North Vietnamese base areas in Cambodia. In 1971 the South Vietnamese, with our support, attacked the enemy base areas in Laos.

These actions achieved the objectives we set. In the months following each action, our troop levels and casualties showed a marked decline while South Vietnam's security situation and self-confidence improved.

Each of these phases in turn demonstrated the continuing success of Vietnamization. The 1969 Communist attacks made little headway because the enemy had suffered heavy losses in their Tet Offensive the year before and our own forces were still at a peak level. In the 1970 Cambodia operation, the South Vietnamese conducted large scale military operations of their own alongside U.S. forces. In 1971 in Laos our allies carried on all of the ground combat while our role was limited to air and logistic support. At each stage the South Vietnamese did more and we did less; and after each stage we were able to accelerate the shifting of responsibilities. In 1972, when the most severe test of all came, the South Vietnamese were ready.

By early 1972, South Vietnam had made impressive progress across the board. Militarily, its forces had taken over virtually all of the ground fighting and much of the close air support mission. Over one million civilians had joined the People's Self-Defense Forces. The government had the confidence to supply this local militia with weapons. The pacification program was succeeding. Eighty percent of the population lived in areas under government control. Nearly all of South Vietnam's 2,200 villages had elected their own local leaders. Comprehensive economic reforms had cut the rate of inflation and stabilized South Vietnam's economy. Industrial output, exports, and tax revenues had reached their highest

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point in many years. A vigorous land reform program had transferred nearly one million acres of farm land to former tenants, and the government had established a widespread system of low interest agricultural loans. The rice harvest promised a bumper crop, thanks in part to high yield grains introduced with our assistance. School attendance and classroom construction had reached new high levels. Nearly one million refugees -- most of them displaced by the Communists' Tet Offensive in 1968 -- had resettled or were being cared for.

In the spring of 1972, faced with South Vietnam's growing military, economic, and political strength, North Vietnam launched its most massive challenge. On March 30, its troops poured through the Demilitarized Zone separating North and South Vietnam which the 1954 Geneva Agreements had established. In so doing, Hanoi abandoned its previous tactics and fundamentally changed the nature of the fighting, for it employed almost its entire army in an all-out frontal assault.

This challenge came just as we were trying to revive private negotiations in Paris to get a response to a comprehensive U.S.-GVN peace proposal that had been tabled on January 27, 1972. While Hanoi was preparing its major military assault -- and even after it was underway -- we tried every route of restraint. After months of effort, we finally arranged a secret meeting in Paris on May 2 with the North Vietnamese. This proved abortive as they rejected all possibilities for de-escalation or for settlement. They were obviously determined to settle matters through military action.

South Vietnamese valor and America's forceful support blunted the Communist offensive. On May 8, faced with aggression in Vietnam and intransigence in Paris, I announced that we were mining all major North Vietnamese ports and were resuming air and naval attacks in North Vietnam to interdict the flow of troops and supplies into the South. At the same time, I held out the alternative of a peaceful settlement along lines that eventually began to emerge five months later to the day.

I took these actions only after all other options had been exhausted and the imperatives were clear. We could not passively acquiesce in all-out aggression, fueled by the arms of outside powers and conducted in total disregard of international agreements and understandings. Most immediately, the enemy attacks threatened our remaining forces in South Vietnam as well as regional stability. Beyond that, it challenged America's credibility and thus the chances for stability around the world. Finally, it was the eve of my journey to Moscow: how could the President of the United States go to a summit meeting while our ally was being overrun with the help of arms supplied by the country he was visiting?

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The South Vietnamese stood up well under the massive attack, which was designed to inflict political, psychological, and economic damage as well as to gain territory. Enemy guns pounded civilian centers, such as Quang Tri City and An Loc, into rubble, but the Communists kept little territory, and they failed to crack the spirit of the South Vietnamese. Buoyed by our actions, our allies rolled back most Communist territorial gains and liberated Quang Tri City, the only provincial capital the Communists had been able to take. More than one million South Vietnamese "voted with their feet" by moving into areas controlled by their government rather than staying with the enemy. Local leaders performed well under pressure. Even opposition groups closed ranks with the government against the common enemy. The inevitable economic dislocations were slight. The land reform program continued and, by March 1973, two and a half million acres had been distributed by the government, virtually eliminating land tenancy in South Vietnam.

Thus, the North Vietnamese offensive had failed. The steady development of Vietnamization and the allied military reactions of 1970 and 1971 had made possible the defense of South Vietnam in 1972. The climactic military phase gradually underlined to all parties the futility of continued conflict and the need for genuine negotiations.

In sum, the military measures we took in Indochina were a difficult but essential aspect of our peace-making efforts. In each case we made clear our limited objectives. Throughout we emphasized the alternative route of a negotiated end to the conflict. Reinforcing the tracks of Vietnamization and negotiations, these decisive actions made an indispensable contribution to the peace that was finally achieved.

Negotiating the Peace

The Agreement which was signed in Paris on January 27, 1973, culminated four years of intensive negotiating effort. Throughout this process, our fundamental attitude was as I described it on November 2, 1972:

"We are going to sign the agreement when the agreement is right, not one day before. And when the agreement is right, we are going to sign without one day's delay."

In Vietnamization the guiding principle was to give the South Vietnamese the chance to defend themselves; in negotiations it was to give the South Vietnamese the chance to choose for themselves.

In reviewing the long negotiating record, certain basic elements should be kept in mind.

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Our preference was always to solve military questions alone. The best way to ensure that the South Vietnamese could determine their own political future was to leave political questions to them. We believed that we should not negotiate a political settlement for South Vietnam. Furthermore, we knew that military issues would be easier to resolve than political issues that would be extremely difficult given Vietnam's long and bitter history. We were neither qualified, nor justified, in detailing specific political formulas such as governmental bodies or electoral processes for the Vietnamese people. Nor did we wish to be directly involved in -- or responsible for -- the functioning of the political machinery.

We preferred to concentrate on those aspects of a settlement that directly involved us -- the military activity, withdrawals, and prisoners. We felt the political future should be negotiated by the South Vietnamese themselves, hopefully in a calmer atmosphere. We did not seek to impose a political victory, any more than a military victory, but we were not prepared to impose a political defeat.

Until the final stage the North Vietnamese and their allies insisted on a settlement that would effectively guarantee that the future of South Vietnam would be Communist. Public speculation and commentary to the contrary, they never agreed to separate military from political issues until the end of 1972. And when, in light of this position, we presented comprehensive proposals, including political elements, they never wavered from their basic goals.

However they packaged their proposals, the fundamental provisions were a fixed date for our total and unconditional withdrawal; the removal of the leadership of the Government of South Vietnam; and the installation of Communist rule disguised as a so-called coalition government.

This basic philosophic clash, not the failure to find precise formulas, delayed a settlement for four years. So long as the Communists insisted on their basic demands, we were faced at the conference table with one overriding issue. I addressed this question in last year's Report:

"Will we collude with our enemies to overturn our friends?
Will we impose a future on the Vietnamese people that the other side has been unable to gain militarily or politically?
This we shall never do."

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The only solution offered by our domestic critics was to turn our ally over to the Communists, either through accepting their terms in Paris or removing all our support from South Vietnam. And neither course provided any guarantee that we would obtain the release of our prisoners.

Instead -- as we pursued fruitless negotiations in Paris -- we wound down our presence in South Vietnam responsibly. Vietnamization reassured our allies and spurred their initiative. South Vietnam's steady advance toward self-reliance was certainly a factor in the enemy's ultimate decision to negotiate seriously.

In the end we emerged with a settlement that met our basic principles and gave the South Vietnamese people a chance to determine their own future.

The First Three Years. In last year's Report I detailed our public initiatives and secret diplomacy for peace during the first three years of this Administration. Briefly, the record was as follows:

- At the outset we took unilateral steps to induce negotiations, such as the progressive withdrawal of our troops and a reduction in air sorties in Vietnam. Each of our measures was met by fresh and more stringent demands by the enemy.
- We also moved publicly to define the framework for a negotiated settlement, emphasizing the withdrawal of foreign troops and general principles to allow the South Vietnamese to determine their own political future. On May 14, 1969, we proposed a settlement that would remove all outside forces from South Vietnam and establish internationally supervised elections. On July 11, 1969, the Republic of Vietnam offered free elections to be run by a mixed electoral commission, in which all parties could participate. On April 20, 1970, I spelled out the principles of a political solution that would reflect the choice of the South Vietnamese people and the existing relationship of political forces within the country. I pledged that the United States would abide by the outcome of any political process chosen by the South Vietnamese.
- On October 7, 1970, we presented an overall proposal for a settlement that looked to the resolution of military questions and free political choice for the South Vietnamese. We proposed an internationally supervised ceasefire; an Indochina Peace Conference; the withdrawal of all American forces from South Vietnam; a political solution based on the principles of April 20; and the immediate unconditional release of all prisoners of war.

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- Throughout this period we intensively pursued secret diplomacy in the hopes that a private forum might produce genuine negotiations. Dr. Kissinger went to Paris regularly to meet with the North Vietnamese Special Advisor Le Duc Tho and Minister Xuan Thuy.
- In these secret sessions we spelled out positions that were more detailed and forthcoming than our public stance, as we made maximum efforts to make a breakthrough toward peace. On May 31, 1971, we offered a special settlement of military issues alone -- the withdrawal of all U.S. forces in exchange only for an Indochina ceasefire and release of all prisoners. All other questions would be left to the South Vietnamese.
- The North Vietnamese continued to insist that political questions also be included, specifically that a coalition government dominated by their side be installed. During the following months the Communists followed a particularly cynical negotiating procedure designed to mislead public opinion. On June 26, they tabled a secret nine-point proposal; five days later, on July 1, the South Vietnamese Communists made a public seven-point proposal. Our own subsequent secret positions responded to both plans. Meanwhile the North Vietnamese castigated us publicly for not responding to the seven-point proposal even though privately they said we should respond to their nine-point proposal, and we had done so.
- In view of Hanoi's insistence that political issues be addressed, we presented during the summer a series of increasingly generous and comprehensive peace plans which were designed to frame a political process as well as settle the military questions. By August we offered our total withdrawal in nine months; a political process which included elections and our pledge to neutrality and acceptance of the outcome; limitations on military aid to South Vietnam providing there were limits on aid to North Vietnam as well; non-alignment for South Vietnam and all of Indochina; and reunification to be worked out between North and South Vietnam.
- On October 11, in response to North Vietnamese comments, we conveyed still another comprehensive plan to Hanoi and proposed another secret meeting in November to consider it. They agreed to meet on November 20, but abruptly cancelled the session just three days before, on November 17.

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- On January 25, 1972, after waiting in vain for more than three months for the North Vietnamese to answer our proposal to meet, we were compelled to explain the situation to the American people and try to elicit Hanoi's reaction to our offers. We revealed the scope of our private diplomacy, and President Thieu and I offered a new comprehensive plan for peace. Once again we sought to make the political process as free and open to all parties as possible while resolving the military conflict.
- Our proposal provided that within six months of a settlement all U.S. and allied forces would withdraw from South Vietnam; all prisoners throughout Indochina would be released; there would be a ceasefire throughout the region; and a new Presidential election would take place in South Vietnam. In addition, President Thieu offered to resign one month before the elections. We spelled out these provisions and others in considerable detail. We also made clear, as we had proposed in May 1971, that we were prepared to settle only the military issues and to leave political matters for later resolution by the South Vietnamese.

January-October 1972. The North Vietnamese response to our comprehensive offer was to continue their massive military buildup in South Vietnam and to launch their Easter invasion. They never replied to our negotiating proposal; they refused to meet us privately; and they repeated their same negotiating demands publicly.

The North Vietnamese finally agreed to meet again in Paris privately on May 2. We made every effort to find a way to end or scale down military conflict. We proposed a variety of approaches: mutual de-escalation; a de facto ceasefire; a partial withdrawal of the invading forces; an overall military settlement; or more comprehensive solutions. All of our proposals were rejected.

Accordingly, we had little choice but to respond with the decisive measures of May 8, 1972. At the same time we proposed a fair settlement, one that would prove eventually to be the framework for peace: the cessation of all our military activities and the withdrawal of all our forces within the same period, and a ceasefire. We told Hanoi that we would resume private negotiations at any time.

The North Vietnamese eventually decided to resume talks in Paris on July 19, 1972. As these discussions went on throughout the summer, the enemy continued to insist on a comprehensive political and military solution along familiar lines. While there were marginal changes in their approach,

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enough to justify continuing the negotiations, there was no real progress toward a solution. In the July, August, and September sessions, their positions, however modified around the edges, contained the unacceptable core -- imposition of a coalition government that the Communists would control.

Until October 1972, therefore, the basic stumbling block remained North Vietnam's demand that political victory be handed to them as a pre-condition for settling all military questions. In that case, of course, the latter would become totally irrelevant since the very issue that the struggle was all about would have been settled.

The October Breakthrough

On October 8, 1972, the North Vietnamese presented a new plan in Paris accepting the basic principles of our position. It was the essential breakthrough toward a negotiated settlement. For the first time, Hanoi agreed, in effect, to separate military questions from the principal political issues. They spelled out specific solutions to the former while the latter were to follow later and were left basically up to the South Vietnamese. Moreover, they dropped their insistent demand for President Thieu's resignation and formation of a coalition government.

To be sure, there were major problems in their plan, and tough negotiations lay ahead. But, in their own words, the North Vietnamese had essentially accepted the approach that I had outlined in my May 8th speech. We could see that, given a constructive attitude on their part, there was, at long last, the genuine prospect of a negotiated peace.

Once this breakthrough was achieved, we moved decisively and quickly toward a final settlement. The North Vietnamese negotiated seriously as well. In areas where there had never been significant movement, there was now rapid progress. Through intensive negotiations from October 8-12 and on October 17, and diplomatic communications, we hammered out a basic draft agreement.

Perhaps to catch the South Vietnamese off balance, perhaps to pin us down to a settlement before our own elections, the North Vietnamese insisted on a very short timetable, with October 31, 1972, the date for final signature. After refusing to negotiate seriously for three years, the enemy now demanded that we complete the negotiations within three weeks of their proposal. We promised to make a maximum effort to meet the deadline, subject to discussions with Saigon and a final negotiating round to complete the draft.

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To prove our serious intentions and to reflect the progress that was being made, I ordered suspension of all bombing above the 20th parallel in North Vietnam on October 23, 1972. During this period, as a result of several developments since the October 17 meetings in Paris, we told the North Vietnamese privately that, while we stood by the basic draft agreement, we could not meet the October 31 target date.

There were three main reasons we could not do so:

- During the last half of October, we received mounting evidence that the Communists were planning to take advantage of the ceasefire with military offensives. This threw a different light on their eagerness to complete the agreement rapidly. Our South Vietnamese friends would have minimum time to prepare for the new situation. It also made more imperative the need to tighten up certain aspects of the agreement, including the supervisory mechanisms. Failure to settle on international machinery would mean that any violations would occur in an unsupervised context.
- At the very time we were conducting delicate consultations with our ally, Hanoi's leadership made public comments suggesting the possibility of a coalition government, which both sides had firmly agreed was not envisaged in the settlement. These and other ambiguities had to be put to rest.
- We ran into opposition in Saigon. Our South Vietnamese ally wanted many changes in the agreement, and they wanted more time for consultations. We were not prepared to accept all their proposals, but their deep concerns and the other factors made it essential to take a little more time. We believed a country that had suffered so much was entitled to have its views fully considered. We made clear, however, that we would maintain the integrity of the draft settlement.

On October 26, Hanoi publicly revealed the outlines of the agreement we were negotiating and repeated its insistence that we sign by the end of the month. We had agreed to keep the content of the negotiations private so as not to jeopardize their outcome. The North Vietnamese disclosures, however, gave us the choice of either breaking off negotiations or affirming our commitment to the framework of the settlement while describing the types of changes still needed. We chose the latter course and publicly outlined our position in response to North Vietnam's propaganda offensive.

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Our primary audiences were Hanoi and Saigon. We believed that peace was very near, and we wanted to underline the message to both capitals. To our adversary, we committed ourselves publicly to the essence of the draft agreement. To our friends, we emphasized that we would take their concerns very seriously into account, but we left no doubt that we considered the basic settlement fair to all parties. We sympathized with Saigon's perspective. The war, after all, was on their soil; they would have to live with any agreement after we departed. But we were determined to conclude a settlement as soon as we were satisfied it was sound.

We emphasized our conviction that the remaining problems could be solved in one more negotiating round of three or four days, as had been foreseen earlier in October, if Hanoi continued to share our serious attitude. We did not wish to release the full text of the draft agreement or to get into specifics. To do so would only give observers a scoreboard on which to register points won by each side in subsequent bargaining. It would hurt the chances for a final settlement by making the outstanding problems matters of prestige for the parties.

Therefore, we indicated the general nature of the issues that still needed resolution in order to solidify the settlement:

- We wished to elaborate the details of the control and supervisory machinery which was established in principle.
- We wanted to speed up ceasefires in neighboring Laos and Cambodia, for the conflict affected all of Indochina.
- We needed clarification of certain ambiguities. For example, the North Vietnamese and we clearly agreed that no coalition government was contemplated in the settlement, but the Vietnamese text of the agreement could be read to suggest a new governmental organ.
- We needed to work out the signing procedure for the four parties.
- We wished to clarify a few other technical problems in the text.

These matters were important in order to solidify the agreement, but they were minor compared to the hurdles that had already been surmounted. We would not be stampeded into an agreement by an arbitrary deadline. We would negotiate until it was right. And once we believed it was right, we would not be deflected from signing it. Only the terms of the settlement would determine the date of our signature -- not enemy pressures, nor excessive requests from our friends, nor an electoral deadline.

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The Final Stages

In retrospect, peace certainly was near in late October -- the ending of a twelve-year conflict was reached twelve weeks later. But the record of those twelve weeks makes it equally clear that peace could have come even sooner if it were not for a cynical North Vietnamese approach at the end of 1972.

On November 20, negotiations resumed and lasted five days. We took up the remaining problems in the agreement and presented draft protocols designed to supplement it. These were technical documents. They introduced no new issues but spelled out in neutral detail the implementation of such aspects as ceasefire supervision and prisoner release. At first the North Vietnamese remained serious. We made significant progress in the agreement itself, although we received no responses on the protocols. A stalemate developed over the few residual issues, however, and both sides agreed to recess until December 4 to reconsider their positions.

Throughout this period we continued our intensive discussions with the Republic of Vietnam. We consulted through our Ambassador in Saigon, with South Vietnamese representatives in Paris, and through high level emissaries to each other's capital. We listened closely to South Vietnam's concerns and presented many of them forcefully in Paris. We did not adopt all of them as our own, however. We determined what we thought would make a fair agreement, and we stayed within the framework of the October draft.

On December 4, when we resumed the talks, the North Vietnamese attitude had changed fundamentally. The final issues could have been resolved in a few days given a serious attitude on both sides. The North Vietnamese began this round, however, by withdrawing all the changes they accepted in November. We spent the next few days working arduously back to where we had been two weeks previously. Then we reached a total impasse. Throughout the last several days of the negotiations in December it became very clear that Hanoi had no intention of settling at that time. We therefore recessed on December 13 after several fruitless and exasperating sessions.

Many of the problems we had pointed to on October 26 had been settled: the prospects for an early ceasefire in Laos at least were firmer, and various technical improvements had been made in the agreement. But other problems remained and, because of the North Vietnamese approach, they were growing, rather than shrinking.

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On December 16, we explained the reasons for the stalemate. Although many ambiguities in the provisions had been clarified, a few remained. We still had to work out a signing procedure for the agreement that would accommodate the sensibilities of the various participants. We were still far apart on the concepts of supervisory machinery for the ceasefire, and the North Vietnamese had allowed no serious discussions of any of the protocols.

The impasse was created both by North Vietnamese rigidity on these specific issues and by their whole negotiating approach. They kept a settlement continuously out of reach by injecting new issues whenever current ones neared solution. At technical level meetings, scheduled only to conform the English and Vietnamese texts, they raised fresh substantive problems. Questions already resolved in the agreement were revived by the North Vietnamese in the protocols. Instead of the constructive approach of October, there were now determined, often frivolous, tactics designed to frustrate the negotiations.

In mid-December, therefore, we had little choice. Hanoi obviously was stalling for time, hoping that pressures would force us to make an unsatisfactory agreement. Our South Vietnamese friends in turn, still had some strong reservations about the settlement. The more difficult Hanoi became, the more rigid Saigon grew. There was a danger that the settlement which was so close might be pulled apart by conflicting pressures. We decided to bring home to both Vietnamese parties that there was a price for continuing the conflict.

On December 18, we moved strongly in both directions. We resumed bombing north of the 20th parallel in North Vietnam, which we had suspended while serious negotiations were underway. We had to make clear that Hanoi could not continue to wage war in the South while its territory was immune, and that we would not tolerate an indefinite delay in the negotiations.

At the same time, we talked sternly with our friends in South Vietnam. In our view they were holding out for terms that were impossible to achieve without several more years of warfare -- if then. We therefore reemphasized our determination to conclude the agreement if the North Vietnamese should once again prove reasonable in Paris.

During this time we maintained direct private communications with Hanoi. Once we had been assured that serious talks could again be undertaken, we suspended our bombing of North Vietnam above the 20th parallel on December 31, 1972.

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On January 2, 1973, the technical talks on the protocols to the agreement resumed in Paris and serious drafting began. From January 8 to 13, Dr. Kissinger and Le Duc Tho met. The serious approach of October reappeared. There was rapid progress on the remaining issues in the agreement on the protocols. The residual ambiguities in the text were resolved. We agreed on a procedure for signing the agreement that satisfied all parties. Four protocols were elaborated into final, agreed form, detailing such key military provisions as ceasefire supervision and release of prisoners. In short, we had achieved essentially all that we had set out to do on October 26.

Simultaneously, we continued consultations with the South Vietnamese Government, and these moved to a successful conclusion. On many questions we had improved the agreement to our ally's satisfaction; on others, the South Vietnamese changed their positions for the sake of concluding the settlement.

On January 23, 1973, Dr. Kissinger returned to Paris for a final meeting. On that date the United States and North Vietnam, with the concurrence of their allies, initialled the agreement.

That evening in announcing the settlement, I said:

"We must recognize that ending the war is only the first step toward building the peace. All parties must now see to it that this is a peace that lasts, and also a peace that heals, and a peace that not only ends the war in Southeast Asia, but contributes to the prospects of peace in the whole world."

In Paris, on January 27, 1973 -- the first anniversary of the comprehensive U.S.-GVN peace plan -- Secretary of State Rogers signed the agreement for the United States.

The Agreement

This Agreement met the essential conditions that we had laid down on January 27, and on May 8, 1972: a ceasefire, return of all prisoners, the withdrawal of American forces, and the political future of the South Vietnamese to be determined by the people themselves. The major elements were:

- An internationally-supervised ceasefire throughout Vietnam, effective at 7:00 p.m., Eastern Standard Time, Saturday, January 27, 1973.

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- The release within 60 days of all captured Americans held throughout Indochina, and the fullest possible accounting for those missing in action.
- The parallel withdrawal of all United States and allied forces and military personnel from South Vietnam.
- A ban on infiltration of personnel into South Vietnam.
- A ban on the introduction of war material into South Vietnam except one-for-one replacement of military equipment worn out, damaged, destroyed, or used up after the ceasefire.
- The reduction and demobilization of both sides' forces in South Vietnam.
- The withdrawal of all foreign troops from Laos and Cambodia.
- A ban on the use of Laotian or Cambodian base areas to encroach on the sovereignty and security of South Vietnam.
- The determination of the political future of South Vietnam by the South Vietnamese themselves.
- Formation of a non-governmental National Council of National Reconciliation and Concord, operating by unanimity, to organize elections as agreed by the parties and to promote conciliation between the parties and implementation of the Agreement.
- Respect for the Demilitarized Zone dividing South and North Vietnam.
- The eventual reunification of North and South Vietnam through peaceful means, step by step, through direct negotiations.
- Respect for the independence, sovereignty, unity, territorial integrity, and neutrality of Laos and Cambodia.
- In accordance with traditional United States policy, U.S. participation in postwar reconstruction efforts throughout Indochina.

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- An International Commission of Control and Supervision (ICCS) composed of Canada, Hungary, Indonesia, and Poland to control and supervise the elections and various military provisions of the Agreement.
- Joint Military Commissions of the parties to implement appropriate provisions of the Agreement.
- An International Conference within thirty days to guarantee the Agreement and the ending of the war.

There were also four protocols which spelled out the implementation of the Agreement in the following areas: the ceasefire and the Joint Military Commission; the ICCS; the release of prisoners; and mine clearance in North Vietnam.

These then are the principal provisions of the Agreement and the negotiating history that produced it. The following points emerge.

The Agreement corresponded to our overall approach. We consistently held the view that a settlement should involve specific resolution of military questions alone. This was, we believed, the most feasible and rapid route to peace. The final settlement embodied this principle. The military issues -- such as the ceasefire, prisoner release, withdrawals, and supervision -- were spelled out in detail in the Agreement and accompanying protocols. On the political side, the provisions were general, leaving those matters to be negotiated between the two South Vietnamese parties.

The Agreement included the basic features of our earlier peace plans. An internationally supervised ceasefire, return of all prisoners, the withdrawal of Americans and allied forces, and an international conference were basic provisions of all our plans since October 1970. Internationally supervised elections were always the centerpiece of the U.S.-GVN political approach. And the National Council corresponded in many respects to the mixed electoral commission of our January 1972 plan.

The settlement represents a compromise by both sides. While our essential principles were met, we and the Communists had to make compromises. Many of these were more significant for our ally than for us. For example, we did not insist on the withdrawal of North Vietnamese forces from South Vietnam. On the other hand, this had not been part of our negotiating position since our October 7, 1970, plan. There were other mutual compromises. But the fact these

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were made reflected the de facto situation and represented an outcome fair to all parties. Neither side could expect to impose at the conference table what it had not gained on the battlefield. The military outcome was not clear-cut and therefore the political future was yet to be determined. For us the important principle is that the Agreement does not hand over this political future to the Communists. Our friends have every opportunity to demonstrate their inherent strength.

It was not possible to reach this Agreement any sooner than we did. Some observers have asked why we did not negotiate this settlement four years ago. The answer is simply that it was impossible to do so at any time before October 1972. As the record makes clear, the North Vietnamese from the very outset always insisted on linking political and military issues. They always demanded removal of the government in South Vietnam and the installation of a Communist-dominated structure. They never varied from that basic approach until the final months of this Administration's first term. Once we had achieved this breakthrough, we moved as rapidly as possible to complete the settlement.

Peace in Vietnam will depend not only on the provisions of the Agreement but on the spirit in which it is implemented. It was vital to reach a settlement that would provide a framework for South Vietnamese self-determination and for our honorable disengagement. We have never been under the illusion, however, that any single document would instantly move the people of the region from a generation of war and hatred to peace and reconciliation.

We have laid the best obtainable foundation for the beginning of this process. We hope that the contending factions will now prefer to pursue their objectives through peaceful means and political competition rather than through the brutal and costly methods of the past. This choice is up to them. We shall be vigilant concerning violations of the Agreement. We are always ready to encourage accommodation among the South Vietnamese. But the peace and progress of South Vietnam and its political future depend on the people themselves.

Ongoing Efforts to Maintain the Peace

In the period immediately following the signing of the Agreement, we moved on several fronts to promote its implementation. We talked to our adversaries, to our friends, and to other countries principally involved in guaranteeing the peace.

Prisoners of War and Missing in Action. The Four Party Joint Military Commission started immediately to make the arrangements for release of our prisoners of war. The two sides exchanged lists of prisoners of war on January 27, the date of the signing. The list of prisoners captured in Laos was furnished by North

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Vietnam on February 1. A U.S. team from the State and Defense Departments flew to Hanoi on February 12 to pick up the first group of returnees; another group was freed in South Vietnam the same day, and further releases were due at 15 day intervals. When there appeared to be stalling, we immediately held up U.S. force withdrawals to emphasize the importance we attached to prompt and full compliance with the Agreement and Protocols. Releases then continued on schedule. A final dispute over the release of the U.S. prisoners of war captured in Laos was resolved when the Communist side agreed to release them in Hanoi on March 28. In the meanwhile, the Republic of Vietnam, with our support, released the more than 26,000 prisoners of war in its custody.

With the return of our prisoners, our efforts turned to the missing in action. More than 1300 U.S. military personnel and civilians remain in this category. The Vietnam Agreement contained unprecedentedly specific language on this issue -- with similar provisions in the Laos ceasefire agreement -- and we made clear to the Communist side our determination to secure the fullest possible accounting for each of our men. As stipulated in the protocol, a Four Party Joint Military team is being maintained to gather information about the missing in action. We also established a Joint Casualty Resolution Center (JCRC) in Thailand -- near the Laos and Vietnam borders -- to search for the missing. These efforts will continue until we have exhausted all possible means to find information on each of our men.

North Vietnam. Dr. Kissinger visited Hanoi from February 10 to 13, for direct conversations with Prime Minister Pham Van Dong and other North Vietnamese leaders. As stated in the Joint Communique after the visit, the two sides carefully reviewed implementation of the Agreement, problems in Laos and Cambodia, postwar economic reconstruction, and the International Conference on Vietnam that was held shortly afterwards. They also considered the bilateral relationship between our two countries and concrete steps to normalize our relations.

A significant result of this trip was an agreement to establish a Joint Economic Commission to develop economic relations between the United States and the Democratic Republic of Vietnam. This Commission began its work in Paris on March 15, 1973. Its agenda includes not only economic assistance but the whole range of economic matters. And it could become not only a technical group but a forum for a more constructive dialogue between our two nations.

The essential message we have for North Vietnam's leaders, and which was conveyed during this trip, is as follows.

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We do not assume Hanoi will give up its long-range goals. We do expect it to pursue those goals without using force. Hanoi has two basic choices. The first is to exploit the Vietnam Agreement and press its objectives in Indochina. In this case it would continue to infiltrate men and materiel into South Vietnam, keep its forces in Laos and Cambodia, and through pressures or outright attack renew its aggression against our friends. Such a course would endanger the hard won gains for peace in Indochina. It would risk revived confrontation with us. It would, of course, destroy the chances for a new and constructive bilateral relationship with the United States, including economic assistance.

The second course is for North Vietnam to pursue its objectives peacefully, allowing the historical trends of the region to assert themselves. This would mean observance of the Vietnam settlement and the removal of foreign forces on both sides from Laos and Cambodia. It would transform years of military conflict in Indochina into political struggle. It would enable the United States and the Democratic Republic of Vietnam to normalize relations. If Hanoi follows this path, the United States will abide by whatever the historical process produces in Indochina.

If North Vietnam chooses the peaceful option, the United States remains committed to better relations. We are convinced, as stated in the Joint Communique at the conclusion of Dr. Kissinger's visit to Hanoi, that this process would "help to ensure stable peace in Vietnam and contribute to the cause of peace in Indochina and Southeast Asia."

Indochina Reconstruction. Thus the basic challenge in Indochina is to move from two decades of violent struggle to peaceful evolution. It will not be easy to make this transition after a generation of conflict, to discard familiar techniques and join in constructive enterprises, and to rely on political competition and the forces of history for the achievement of goals.

The economic assistance we propose in concert with others, for the reconstruction and development of the entire region would help make this transition a reality. To be effective it must include the Democratic Republic of Vietnam. The rebuilding of war-torn economies of former enemies is a traditional policy of this country and served the goal of reconciliation in the period after World War II. This concept was first proposed for Indochina by the previous Administration in 1965. We have reaffirmed it on many occasions during this Administration, including last year's Report. It would be a sound investment in peace, providing avenues and incentives for an insulated and suspicious country to engage in peaceful and cooperative pursuits. It responds to humanitarian needs as well as to political and psychological necessities.

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We will pursue this program with determination. The funds required will not be drawn from any domestic programs. As we proceed, however, we will be guided by two fundamental principles:

- We will observe Constitutional requirements both in letter and spirit and consult closely with the Congress at every step of the way.
- We will not provide aid to the Democratic Republic of Vietnam if it violates the Agreement. Hanoi cannot expect to receive our economic assistance while pursuing its goals through military pressure.

We believe that the American people and the Congress will agree to provide the relatively modest amounts to help keep the peace that ended such a long and costly war.

South Vietnam. The Republic of Vietnam and the United States fought and suffered together many years. We supported that government and its people in their valiant efforts against aggression. And we consulted closely with them throughout the long, torturous road of negotiations. We now look forward to working together in peace as we did on the battlefield and at the conference table.

The Republic of Vietnam will find us a steady friend. We will continue to deal with its government as the legitimate representative of the South Vietnamese people, while supporting efforts by the South Vietnamese parties to achieve reconciliation and shape their political future. We will provide replacement military assistance within the terms of the Agreement. We expect our friends to observe the Agreement just as we will not tolerate violations by the North Vietnamese or its allies.

We will also continue to contribute generously to South Vietnam's economic rehabilitation and development. That country is making a major effort to make its economy self-sufficient, but the peace agreement does not lessen its need for substantial outside assistance. South Vietnamese requirements will, in fact, increase in the short term. The government's heavy military budget will decline only slowly, for it must maintain a vigilant defense and support the total military responsibility created by the withdrawal of the American and allied forces. Simultaneously, South Vietnam will bear the double burden of creating new jobs for demobilized personnel and of meeting massive expenditures for relief of

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refugees and war victims. Finally, the country faces other heavy financial drains as it reconstructs the many destroyed towns, repairs the country's transportation and irrigation systems, and brings back into production large arable regions abandoned during twenty years of fighting.

None of the country's major economic tasks can be accomplished without substantial economic assistance. With such aid, none of these problems is insuperable. South Vietnam has the natural and human resources to be economically independent and viable. What is needed is time for these resources, diverted or idled by the war, to be put back to productive use.

The Republic of South Vietnam now seeks the economic counterpart to Vietnamization. As we helped them take over their own defense in conflict, we will help them now become economically self-sustaining in peace.

These were the principles I expressed to President Thieu when we met at San Clemente a few weeks ago. His visit to the United States symbolized both our common struggle in past years and our common endeavors in the years to come. As we said in our joint communique:

"...both Presidents agreed that through the harsh experience of a tragic war and the sacrifices of their two peoples a close and constructive relationship between the American and the South Vietnamese people has been developed and strengthened. They affirmed their full confidence that this association would be preserved as the foundation of an honorable and lasting peace in Southeast Asia."

The International Conference. From February 26, 1973, to March 2, 1973, the International Conference on Vietnam met in Paris. Twelve nations -- the four parties to the Agreement, the four ICCS countries, and the permanent members of the United Nations Security Council -- plus the Secretary General of the United Nations, attended. The Final Act signed on March 3, 1973, endorsed the Vietnam Agreement; called for its strict observance by the four parties; pledged respect for the Accord by members of the Conference; urged all other countries to do so as well; set up procedures for reporting violations of the Agreement and reconvening of the Conference; and called for countries to respect the independence, sovereignty, unity, territorial integrity, and neutrality of Cambodia and Laos, as stipulated in the Agreement.

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A single meeting lasting several days cannot guarantee the peace. But the gathering and the statements of the nations involved underlined the reality that all countries, not just those directly concerned, have a stake in peace in Indochina. We expect the nations that signed the Act of the Conference to live up to their obligations. We will take their performance into account in the conduct of our bilateral relations.

Future Tasks

Achieving an end to the war was exceptionally difficult, but keeping the peace will be no less challenging. It involves not just Vietnam but all of Indochina, and not just the Indochinese countries but outside nations as well. The following are the major tasks:

- Strengthening the peace in Vietnam.
- Implementing the agreement on Laos.
- Achieving a ceasefire and beginning negotiations on Cambodia.
- Ensuring restraint toward the region by outside powers.

The peace in Vietnam itself remains fragile. A period of misunderstandings and ambiguities was to be expected in the first months of peace after so many years of war. The process of reconciliation and mutual accommodation is bound to take time. Nevertheless the overall record so far has been less positive than we had hoped.

The United States has scrupulously carried out its obligations, and we have urged all others to do likewise. On those military elements of the Agreement directly affecting us the record has been generally good. Our listed prisoners have returned from Indochina. There remains, however, the difficult task of accounting for all those missing in action throughout the region and we will not rest until this task is completed. All American and allied military forces and advisors have been withdrawn from South Vietnam. We have strictly observed the ceasefire and have given full cooperation and support to the supervisory organization. And we began to clear the mines from all North Vietnamese ports and waterways, a complicated and time-consuming job.

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Observance of the ceasefire is now, of course, in the hands of the Vietnamese. Compliance has been spotty and substantial fighting continues. While violations and casualties have diminished from the first weeks, much greater efforts are needed to stop the conflict completely and fully stabilize the situation.

The most ominous aspect of the situation to date has been the continued infiltration of North Vietnamese troops in violation of the Agreement. In blatant disregard of Articles 7, 15, and 20, Hanoi has continued to send troops and military supplies into South Vietnam. It has also continued its military activities in Laos and Cambodia in violation of Article 20. In so doing, it has built up the military potential of the Communist forces in South Vietnam. Whether this is a prelude to another offensive is not clear. What is clear is that it must cease. We have told Hanoi, privately and publicly, that we will not tolerate violations of the Agreement.

On the political front, the two South Vietnamese parties are now negotiating in Paris on such subjects as the functioning of the National Council of National Reconciliation, the elections, the issues of civilian prisoners held by both sides, and the reduction and demobilization of both sides' armed forces. We hope that the South Vietnamese parties make progress on these issues and settle their differences.

Laos and Cambodia will be treated in more detail later in this Report. It is important to point out here that the Vietnam settlement obligates all foreign countries to withdraw their forces from these two countries, cease sending military personnel and equipment into the two countries, and stop using their territories to encroach on other countries. These obligations are clear and unconditional. Here, too, Hanoi has not yet carried out the terms of the Agreement. We expect North Vietnam to withdraw its forces from Laos and Cambodia in the near future, and to comply with the other provisions regarding those countries. As I have stated repeatedly, there cannot be stable peace in Vietnam until its neighbors are also at peace. The conflict has been indivisible. The peace must be too.

Countries outside the region have a strong interest in the maintenance of peace in Indochina. If the flames of conflict flare up again, there will be renewed suffering for the peoples of the area, the danger of another war, and a threat to the improvement of relations among the major world powers.

Accordingly, we look to outside powers to lend a moderating influence to the affairs of Indochina. This means, first of all, that there can be no reasonable justification for sending Hanoi large arms shipments now that there is a negotiated

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settlement. North Vietnam certainly is not threatened by its neighbors. A military buildup would raise questions not only about its intentions, but also about the motivations of the suppliers. Restraint in the North on this matter will be matched by restraint in the South.

Beyond that, we believe that friends of the Vietnamese belligerents can helpfully underline to them the advantages of maintaining the peace instead of rekindling the war. This will be our approach. For there cannot be a global structure of peace while conflict persists in Indochina.

This is a complex and difficult agenda. Unlike that of the last dozen years, our role will not be dominant. But it will remain substantial and important. And it will require both generosity and firmness, both patience and vigilance.

America has those qualities and will exercise them in the interest of peace in the region.

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LAOS AND CAMBODIA

There cannot be lasting peace in Vietnam until its neighbors are at peace.

As of this writing, the situation in both Laos and Cambodia remains fluid. In Laos, the parties reached a ceasefire settlement in February 1973, but the framework is fragile, and the Communists have delayed negotiations which were stipulated in the Agreement to reach a definitive settlement. In Cambodia, the Communists have stepped up their military attacks since the Vietnam and Laos ceasefires, rejecting both the Government's unilateral military restraint and its call for negotiations. In both countries, North Vietnam continues to violate the past international agreements to which it was a party. And in both countries it is now violating the Vietnam Agreement it signed in January 1973.

North Vietnam, as well as the other parties to the Vietnam Agreement, has unambiguous obligations with respect to Laos and Cambodia. Article 20 of that Agreement stipulates that:

- The parties participating in the Paris Conference on Vietnam shall strictly respect the 1954 Geneva Agreements on Cambodia and the 1962 Geneva Agreements on Laos, and shall respect the neutrality of Cambodia and Laos.
- They will undertake to refrain from using the territory of Cambodia and the territory of Laos to encroach on the sovereignty and security of one another and of other countries.
- Foreign countries shall put an end to all military activities in Cambodia and Laos, totally withdraw from and refrain from reintroducing into these two countries troops, military advisers and military personnel, armaments, munitions and war material.
- The internal affairs of Cambodia and Laos shall be settled by the people of each of these countries without foreign interference.
- The problems existing between the Indochinese countries shall be settled by the Indochinese parties on the basis of respect for each other's independence, sovereignty, and territorial integrity, and non-interference in each other's internal affairs.

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These provisions are clear. They are not tied to any other conditions. To date they have been ignored by Hanoi. Although fighting has subsided in Laos, attacks there by the North Vietnamese and their allies continue. In Cambodia, Communist forces have increased their attacks in a major effort to isolate Phnom Penh and other population centers. Hanoi has continued to infiltrate men and supplies into and through Laos and Cambodia. It gives no sign of ending this flow or withdrawing its forces from either country.

The U.S. position is clear. We will not tolerate violations of the Vietnam Agreement. We have every interest in seeing peace observed in Laos and peace attained in Cambodia. The legitimate governments of the two countries are working toward this end. In both countries we will honor whatever agreements are worked out by the peoples themselves. We firmly intend to implement all the provisions of the Vietnam Agreement, and we insist that all other parties do so as well.

The Setting and U.S. Policy

Hanoi has always exploited Laos and Cambodia in its conduct of the Vietnam War. It has etched a similar, distressing pattern in both of South Vietnam's neighbors in recent years:

- Neither Laos nor Cambodia has ever threatened North Vietnam, nor could they threaten it.
- The neutrality, independence, sovereignty, and territorial integrity of both countries were established by international agreements signed by Hanoi and its allies.
- The North Vietnamese have continually violated all these principles for years by sending tens of thousands of their troops into both countries and organizing insurgent forces.
- Hanoi's primary target has been South Vietnam. It has used Laos and Cambodia for infiltration corridors for its troops and supplies, for base areas for launching attacks on South Vietnam, and for sanctuaries.
- In the process, North Vietnam has also threatened the neutral governments in Vientiane and Phnom Penh.
- The helpless people of both nations, wanting nothing but to be left alone, have been subjected for years to outside aggression and exploitation.

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Given the indivisibility of the Indochina conflict, our policy toward Laos and Cambodia has always been closely related to our policy in Vietnam. A fundamental concern has been with the Communist use of Laos and Cambodia in pursuit of their main objectives in South Vietnam. We also have been concerned with Hanoi's breaking of international agreements on these countries, and we have an interest in the independence and neutrality of the states in Southeast Asia.

Diplomatically, all our negotiating proposals on Vietnam have included Laos and Cambodia as well. The basic elements of our plans, such as ceasefire, release of American prisoners, the ban on infiltration and base areas, and the holding of an international conference concerned all of Indochina. Militarily, we have provided air and logistic support to the internationally recognized governments in Vientiane and Phnom Penh. This policy has been essential to protect the independence of South Vietnam and to enforce the Indochina aspects of the Vietnam peace settlement.

In Laos and Cambodia we have never undertaken the primary role but have confined our efforts to supporting those of the indigenous governments. This is true both at the conference table and on the battlefield:

- We have supported the attempts of the Laotian and Cambodian Governments to negotiate peace either on their own or as part of an overall Indochina settlement. In these efforts they have taken the lead and shaped the nature of the settlements they were seeking.
- While negotiations have been blocked by Hanoi's intransigence, the Lao and Cambodians have carried the ground combat responsibility while we provided military and economic assistance and, at their request, air and logistic support. We also supported South Vietnamese defensive strikes into North Vietnamese base areas in these two countries.
- Our role has been, and will continue to be, strictly limited: no U.S. ground combat personnel, a minimum American presence overall, and military support strictly tailored to the pressures of the North Vietnamese, the situation in South Vietnam, and the requests of the threatened governments.
- Our help has nevertheless been crucial for the independence of these countries and the pursuit of our objectives in Vietnam.

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Laos

The United States Government has always favored a stable peace in Laos and the genuine independence and neutrality of that nation. Our objective has been a Laos free of conflict, free of outside forces, and free to determine its own future.

We therefore welcome the Agreement on Laos negotiated and concluded by the Laotian parties themselves on February 21, 1973. We hope that this Agreement, coupled with the related provisions of the Vietnam settlement, will secure a lasting peace in Laos and finally permit that country to devote itself to the tasks of reconstruction and development.

A Fragile Peace. In the negotiations on Vietnam we took the consistent position that there should be an early ceasefire in Laos as well as Vietnam. The shaping of a settlement there was, of course, up to the parties themselves. Our friends needed no encouragement from us to negotiate the end of the conflict, so we pressed in Paris for Hanoi to ensure Pathet Lao readiness to conclude a settlement.

Negotiations between the Laotian parties began on September 18, 1972, and ran parallel to our talks with the North Vietnamese. One of the issues still not resolved to our satisfaction in late October in Paris was the prospect for early peace in Laos. As we moved toward a final settlement for Vietnam, the Laotian parties made progress in their talks. By the time we signed the Vietnam Agreement on January 27, 1973, we were confident that a ceasefire in Laos would be achieved within a matter of weeks, and we knew that our prisoners captured in Laos would be released within sixty days. Final obstacles to a Laos settlement remained, however, when Dr. Kissinger visited Vientiane, Bangkok, Hanoi, and Peking in mid-February and accordingly the Laos situation was a major topic on the agenda for those visits.

During this period, the final issues were settled by the Laotian parties and the Agreement was signed on February 21, 1973. It has the following main provisions:

- Affirmation of respect for the Geneva Accords of 1954 and 1962.
- An immediate in-place ceasefire supervised by a Joint Military Commission with the assistance of the current International Control Commission (ICC), composed of India, Canada, and Poland.

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- The formation of a new bipartite coalition government (the Provisional Government of National Union) and a consultative political council within 30 days of the ceasefire. The two Laotian parties were to negotiate and agree on the modalities and the exact membership in these bodies during the interim.
- The withdrawal of all foreign forces within 60 days after the installation of the new political bodies.
- The release of all POWs within the same 60-day period, except for Americans captured in Laos who were released within the 60 days provided for prisoner release under the Vietnam Agreement.
- The eventual holding of legislative elections to be organized by laws adopted by the new Consultative Council and Provisional Government.
- Pending these elections and the formation of a permanent government of national union, the separate administration by the two sides of the areas under their respective control.

Following signature of the Agreement, the Royal Laotian Government made a maximum effort to reach final agreement on the protocols implementing its political and military provisions. The government presented concrete proposals to the Pathet Lao in order to obtain agreements on these matters necessary to form the Provisional Government within the specified 30-day period and thus speed the withdrawal of North Vietnamese and other foreign forces. However, the Laotian Communists adopted obvious delaying tactics in the implementing talks, including keeping their senior negotiator away from the conference table for weeks on end. As a result, the 30-day period for the establishment of a new government and a Consultative Council passed without agreement.

The same pattern persisted on other related questions such as the talks concerning a Joint Military Commission and a revitalized ICC. Meanwhile, in blatant violation of its international obligations, North Vietnam has continued its military activities in Laos and expanded its logistics and base network there, threatening South Vietnam.

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U.S. Support. We have consistently maintained the supporting role that the previous Administrations inaugurated. On the diplomatic plane, as already indicated, we have continually backed Prime Minister Souvanna Phouma's efforts to negotiate a peace.

In the face of enemy aggression, and in light of the threats to South Vietnam, we have also responded to the Laotian government's requests for military and economic assistance. By Congressional action, our total assistance expenditures in Laos were limited to \$375 million in fiscal year 1973. Our economic aid efforts were devoted primarily to programs for the care of refugees and the stabilization of the heavily burdened Laotian economy. Military assistance involved primarily the delivery of supplies and equipment to the Laotian forces. These forces carried the ground combat role and, even in the air war, the Laotian Air Force provided much of the air support.

With the conclusion of a ceasefire in Laos, we look toward reductions in U.S. operations and expenditures there. Since the ceasefire, limited U.S. military activities in Laos have been conducted at the request of the government. They were necessitated by and taken in direct response to North Vietnamese and Pathet Lao violations of the Laos ceasefire agreement. Considerable financial assistance will continue to be needed.

- When requested, and within the provisions of the Agreement, we will provide military supplies so that Laotian forces can maintain a high level of readiness in the future.
- We will continue an adequate economic aid program to help the Lao move ahead to better their conditions and their lives.
- We will include Laos in the overall reconstruction effort in Indochina which we consider to be an important investment in peace.

Hanoi will largely determine whether the peaceful people of Laos will at long last gain a respite from conflict and enjoy a period of tranquility and progress. If North Vietnam and its allies observe the ceasefire in Laos, move toward completion of a definitive settlement, and honor the obligations of both the Vietnam and Laos settlements, they will find a forthcoming response from the Royal Laotian Government and its friends. If they choose instead to maintain an aggressive course, the whole fabric of regional peace will be jeopardized.

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Cambodia

Our objectives and our policies in Cambodia run parallel to those in Laos.

We aim for an independent, neutral and stable country. We do not insist on any particular political orientation, but we believe any course should be the free choice of the people themselves, not one imposed by North Vietnamese arms. Nor should Cambodia be used as a sanctuary or staging area for Vietnamese Communist assaults on South Vietnam.

In light of these objectives, we have supported the Cambodian government. That government favors independence, neutrality, and stability. It is willing to deal with its indigenous opponents at the conference table. It is fighting North Vietnamese aggression not only against Cambodia but also against South Vietnam.

The Cambodians, like the Lao, are clearly innocent victims who wish only to live in peace. Like the Lao they are carrying the brunt of the battle for their self-defense, while we supply military and economic assistance and, when specifically requested, air support.

The Past Year. Since last year's Report, there has been little progress in Cambodia. The military picture has remained spotty and at times precarious. The Khmer armed forces have managed to contain most enemy thrusts and maintain control of the major population centers. However, Communist forces have often temporarily interdicted key routes and lines of communication in an attempt to isolate the urban areas. This has on occasion generated short-term needs for airlift or special land and water convoys to bring supplies to the capital and other cities.

The mixed security situation in Cambodia should be kept in perspective. Three years ago many observers thought that it would only be a matter of months, if not weeks, before the Communists would topple the Lon Nol government. Since then the Cambodian people have shown courage and resilience against repeated pressures. The Cambodian army has grown from a largely ceremonial force of 35,000 in 1970 to some 200,000, most of whom are volunteers. It has undertaken an internal reorganization, further training, and important reforms to develop its full potential for future self-defense. Progress in self-defense efforts, however, has been uneven and needs to be accelerated.

The crucial ingredient in Cambodia remains political stability. Since 1970 most of the population and opposition leaders have rallied in opposition to Communist aggression. Politically, there were both positive and negative developments during 1972. In the past year, the Khmer Republic adopted a Constitution, elected

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a president and a bicameral legislature, and put into operation various organs of government provided by the new Constitution. The government also initiated programs to improve community self-defense and to encourage the return of Khmer who have taken up arms against it. On the other hand, the leading non-Communist groups and personalities have not always worked effectively together and, at times, they have been openly at odds. This only serves to undercut morale, jeopardize the security situation, and prevent the establishment of an effective base from which to negotiate with the enemy if the enemy ever chooses to do so. Greater efforts for a unified front against the Communists are clearly needed. Recently, the Lon Nol government moved to broaden its political base by including more of the non-Communist opposition.

The Continuing Conflict. In the Vietnam negotiations we pressed very hard for an early peace in Cambodia to accompany the ceasefires in Vietnam and Laos. We succeeded in getting the clearcut provisions for both Laos and Cambodia of Article 20 included in the Vietnam Agreement. In response to our insistence that all American prisoners throughout Indochina be released within sixty days of that Agreement, we were assured that there were no Americans held captive in Cambodia. But while we signed the Agreement with the expectation that there would be an early cessation of hostilities in that country, we did not have the firm confidence in this prospect that we held for Laos.

During the final stage of the Paris negotiations, the other side repeatedly pointed out that the situation in Cambodia was more complex than in Laos because of the many factions involved and the lack of an established framework for negotiations. However, Communist actions in the Khmer Republic since the Vietnam and Laos Agreements raise serious questions about Hanoi's professed desire for early peace in that country.

The signing of the Vietnam Agreement brought a brief ray of hope to Cambodia. On January 28, 1973, the day the Vietnam ceasefire went into effect, President Lon Nol ordered his forces to cease all offensive activities and urged the enemy to follow suit. He repeated his willingness to enter into direct negotiations to turn a de facto ceasefire into a more definitive settlement.

We welcomed these measures, suspended our own combat air operations in support of the Khmer forces, and hoped that the North Vietnamese and the Khmer insurgents would respond favorably. Unfortunately, then -- and since -- the Communist side rebuffed this gesture and all other efforts by the government to inaugurate contacts with a view to ending the fighting.

Instead, Hanoi to date has chosen to pursue its aggression in Cambodia. Indeed, since the Vietnam and Laos settlements, Communist military operations in Cambodia have reached new levels. Widespread attacks have continued, chiefly

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against the important lines of communications and the population centers. In light of this situation and at the request of the Khmer Government, the United States resumed the air operations in Cambodia which we had suspended in an effort to promote a ceasefire. The objective of our assistance to Cambodia is the full implementation of the Vietnam Accords and an end to the fighting in Cambodia which threatens the peace in Vietnam.

The Cambodian Government has repeatedly declared its desire for a ceasefire and prompt political negotiations. We are prepared to halt our military activity in Cambodia as soon as there is a ceasefire. On the other hand, if Hanoi still pursues aggression in Cambodia, we will continue to provide the Khmer Republic with U.S. air support and appropriate military assistance. We will not introduce U.S. ground forces into Cambodia.

The Cambodian situation is a serious threat to the hard-won peace in Vietnam. The only feasible solution is an end to the conflict and direct negotiations among the Cambodians themselves. We fully support the efforts of the present government to launch this process.

We call on North Vietnam to observe its solemn pledges in the Vietnam Agreement and to give the people of both Laos and Cambodia the chance to live their own lives.

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PART III**STRENGTHENING PARTNERSHIPS****Europe and the Atlantic Alliance****Japan****Asia and the Pacific****Latin America**

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EUROPE AND THE ATLANTIC ALLIANCE

The United States has regularly renewed its commitment to the flourishing of trans-Atlantic unity with our oldest and closest allies. I carried this message to Europe immediately after taking office in 1969. It is a central element of this Report to the Congress, for no aspect of U.S. foreign policy commands greater attention and care than our relations with Western Europe.

I have referred to 1973 as the year of Europe, not because we regarded Europe as less important in the past or because we expect to overcome the problems of the Atlantic Community in any single year. This will be a year of Europe because changes in the international environment, and particularly in Europe, pose new problems and new opportunities.

The alliance between the United States and Western Europe has been a fundamental factor in the postwar era. It provided the essential security framework for American engagement in Europe and for Western defense. It created the political confidence that allowed the countries of Europe to recover from the devastation of the war. It helped to reconcile former enemies, a prerequisite for European unity. And it was the principal means of forging the common policies that were the source of Western strength in an era of tension and confrontation.

When the alliance was created, power relations, economic factors, and political conditions were far different than today: traditional power centers in both Europe and Asia were greatly weakened, and the United States and the Soviet Union had emerged with vastly enhanced strength and influence as leaders of hostile coalitions in Europe. Western Europe looked to America for protection and for leadership. The alliance came to rely on American prescriptions and became accustomed to ratifying American solutions to the major military, political, and economic problems.

When this Administration took office, a period of transition had begun; new trends affecting America's relations with Europe were already evident:

- Western Europe's economic and political revival coincided with deepening divisions in the Communist world. The bipolar confrontation of the postwar period no longer dominated international relations. Alliance relationships in Europe coexisted with increasingly fluid international relationships. Both sides of the Atlantic had to recognize that a new balance of power in the world would challenge our unity.

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- In Europe, as the military vacuum was filled by the strength of the Atlantic coalition, the danger of war receded. But the altered strategic environment created totally new problems of deterrence and defense.
- The European unity forged by the original six members of the Common Market made Europe a formidable economic power. Expansion of the European Community to include the United Kingdom, Denmark, Ireland, and other European countries added a new political dimension to economic integration.

In these conditions, America's relations with the new Europe were bound to change. In the three fundamental aspects -- economic, military, and political -- trans-Atlantic relations had come to be based on different principles that led to different modes of action:

- In economics, members of the European Community, individually and collectively, stressed regional autonomy, while the United States remained dedicated to the integrity of an open international system.
- Militarily, unity was the predominant factor: the NATO allies operated on the principle of integrated forces and common strategic planning. But forces designed when the United States enjoyed an unqualified strategic advantage had not been fully adjusted to the reality of a more nearly equal strategic balance with the Soviet Union.
- Politically, the Western Allies shared abstract goals of detente, but we had not developed new principles to reconcile national objectives with demands for a unified Western policy.

Now, America and Europe are challenged to forge a more mature and viable partnership in which we cooperate:

- in developing a new and more equitable international economic system that enables the Europeans to reinforce their unity, yet provides equitable terms for the United States to compete in world markets;
- in providing a strong defense with the forces necessary to carry out a realistic strategy in light of the nuclear balance of the 1970's while meeting our mutual defense commitments with an equitable sharing of the burdens;

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- in building a common framework for diplomacy to deal with fundamental security issues -- such as mutual and balanced force reductions -- in the new international environment, reconciling the requirements of unity with those of national interest.

In the past four years we have progressed toward these goals. The advances have been more pronounced in diplomacy and defense because habits of consultation were long-standing in these areas and common interests were easier to define. Fundamental problems persist in economic relations with the European Community. Though Europeans have begun to pursue a collective economic policy, their lack of a comparable degree of political unity handicaps the resolution of economic issues with the United States.

Atlantic Partnership and European Unity

Throughout the postwar period, the United States has supported the concept of a unified Western Europe. We recognized that such a Europe might be more difficult to deal with, but we foresaw manifold advantages. Unity would replace the devastating nationalist rivalries of the past. It would strengthen Europe's economic recovery and expand Europe's potential contributions to the free world. We believed that ultimately a highly cohesive Western Europe would relieve the United States of many burdens. We expected that unity would not be limited to economic integration, but would include a significant political dimension. We assumed, perhaps too uncritically, that our basic interests would be assured by our long history of cooperation, by our common cultures and our political similarities.

The Economic Dimension. The advance toward the goal we supported for so long has, in fact, created a new dimension in European-American relations. Mutual prosperity developed on the principle of relatively free trade. As the European Community progressed, however, it designed policies to protect its own special interests. Moreover, its growing economic weight stimulated other states to protect their access to that thriving market of more than 250 million persons. The prospect of relatively closed trading systems within Europe, notably in agriculture, and in preferential arrangements with third countries, was proceeding as the United States was suffering an increasingly unfavorable balance of payments.

In the area of monetary policy, the European Community has to a large degree been preoccupied with the search for a reasonable path toward internal monetary unity. At the same time, the growing strengths of some of its national economies -- and relative weakness of others -- have both impeded that progress

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and limited the will and ability of Europe to deal effectively and expeditiously with fundamental reform of the international monetary system.

The Europeans have thus been pursuing economic regionalism; but they want to preserve American protection in defense and an undiminished American political commitment. This raises a fundamental question: can the principle of Atlantic unity in defense and security be reconciled with the European Community's increasingly regional economic policies?

We have also faced challenges in redefining our relationships with the other North American member of the Atlantic Alliance -- Canada. Our northern neighbor has been reassessing its position in the world just as we have been establishing a new view of our own. Frank reappraisals of our respective interests have brought some new problems to the fore, particularly in economic relations between the two countries. When I visited Ottawa in April 1972, I reaffirmed with Prime Minister Trudeau our common belief that mature partners must have autonomous, independent policies and explored with him how we might work together while respecting Canada's right to ensure its own identity and to chart its own economic course.

A Comprehensive Approach. We thus face a new situation. There are elements of economic conflict, and there has been a lack of direction. Concrete economic issues, not abstract principles, must be addressed. But if economic issues are confronted in isolation, or from purely technical perspectives, each party will try to protect its own narrow commercial interests. The outcome will be a deadlock, with the prospect of constant conflict.

The overriding task is to develop a broader political perspective from which we can address these economic questions, one that encourages reconciliation of differences for the sake of larger goals. Each partner will have to subordinate a degree of individual or regional autonomy to the pursuit of common objectives. Only by appealing to interests that transcend regional economic considerations can inevitable deadlocks be broken.

We have begun to move toward a comprehensive European-American dialogue. An essential first step was the European decision on the nature and scope of the relations with the United States. Last October, the leaders of the European Community met to chart their long-term course. The keynote was sounded by President Pompidou:

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"Our links with this great country, the world's foremost economic power, with which eight of our countries are united within the Atlantic Alliance, are so close that it would be absurd to conceive of a Europe constructed in opposition to it. But the very closeness of these links requires that Europe affirm its individual personality with regard to the United States. Western Europe, liberated from armies thanks to the essential contribution of American soldiers, reconstructed with American aid, having looked for its security in alliance with America, having hitherto accepted American currency as the main element of its monetary reserves, must not and cannot sever its links with the United States. But neither must it refrain from affirming its existence as a new reality."

This was an invitation to begin the complex process of redefining our basic partnership, a goal we had set in 1969. Accordingly, on October 27, I strongly endorsed the European Community declaration:

"It is, and has always been my own deeply held view that progress toward a unified Europe enhances world peace, security, and prosperity.

"It is also of the highest importance that the United States and Europe work closely together. For this reason I particularly welcome the Community's declared intent to maintain a constructive, forthcoming dialogue with us . . . I wish to reaffirm our commitment to work with the members of the European Community for reform of the international economic system in a way which will bring about a new freedom of world trade, new equity in international economic conduct and effective solutions to the problems of the developing world.

"These are the objectives with which the United States will approach forthcoming negotiations on monetary and trade reform. We will be prepared to take bold action with our European partners for a more equitable and open world economic order."

The stage is now set for comprehensive negotiations with our European partners. In effect, these negotiations began in my meetings with Prime Minister Heath, NATO Secretary General Luns, Premier Andreotti, and Chancellor Brandt. They will continue when I meet with President Pompidou and when I visit Europe later this year.

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The issues we face are not abstract. European unity is not at issue. Nor are the requirements for common internal and external policies which reinforce that unity. Our aim is to examine concrete problems that impinge on the specific interests of the United States and to agree on a comprehensive way to resolve these issues.

Major negotiations will begin next fall on international trade. Our basic objectives are to restore the integrity of a more open trading system that was the underlying principle of the General Agreement on Tariffs and Trade (GATT), and to halt the drift toward economic protectionism on both sides of the Atlantic. We believe there should be a gradual reduction in tariffs and other barriers to trade in both industrial and agricultural products. We believe also that the adverse effects of preferential trading arrangements between Europe and less developed countries should be eliminated. Such arrangements should not work against the ability of the United States or others to compete in European markets or those of the countries with which it has special trade arrangements.

These, and many broader problems discussed in the chapter on international economic policy in this Report, require major reforms. The negotiations will be protracted and difficult. If, however, we can confront our economic differences in the same spirit of partnership developed in defense, we can reinforce Atlantic unity.

Alliance Defense

In April 1969 the North Atlantic Alliance completed its twentieth year. For two decades the nations of the Atlantic community had been united in a formidable coalition. No military alliance in modern times has so successfully maintained the peace. Unity had come naturally in military affairs because the threats to Europe were unambiguous, the requirements to meet them were generally agreed upon, and the basic strategy of nuclear retaliation was credible and effective.

By the mid-1960's, however, it was increasingly clear that military conditions had changed and that earlier strategic assumptions were no longer realistic. At the meeting of NATO foreign ministers in April 1969, I stressed the need to reexamine the Alliance's military position in light of the strategic and political environment of the 1970's. Certain factors were of overriding concern:

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- The West no longer enjoyed the nuclear predominance it once possessed. The Soviet Union was greatly expanding its strategic forces; the United States had ended its building programs in favor of qualitative improvements. Strategic arms talks, if they succeeded, would almost certainly codify a balance that was roughly equal.
- Anticipating this new strategic balance, the allies had quite correctly developed a new doctrine of flexible response to meet threats with means other than immediate and massive nuclear retaliation.
- In conditions of near strategic parity, the ability to defend Western Europe with conventional forces assumed far greater significance than in the 1950's, when the West could afford temporary weaknesses because of the American nuclear guarantee.

In these circumstances, actual alliance performance was inconsistent with the implications of the strategic balance:

- Despite adoption of a new doctrine, the composition, levels, and armaments of NATO forces remained virtually unchanged. Indeed, with U.S. redeployments in 1968, as well as previous reductions, the level of NATO forces had declined.
- Soviet forces in Eastern Europe, on the other hand, were being reequipped and modernized. After the invasion of Czechoslovakia, the forward deployment of Soviet forces increased by several divisions. Meanwhile, the United States had withdrawn one and one-third divisions.
- Spending for defense in the NATO area, measured in real purchasing power, declined steadily from 1964 through 1969.
- The distribution of defense costs had shifted. Manpower absorbed an increasingly larger share of expenditures while equipment purchases declined.
- There was no agreement among the allies on a common level of supplies in critical munitions. Yet, obviously, if certain countries could sustain combat for only a few days, it was irrelevant that others had stocks for much longer periods.

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- There was agreement on the importance of conventional defense, but a reluctance, especially in Europe, to give priority to non-nuclear capabilities. Europe feared that doing so might imply a weakening of the credibility of the nuclear deterrent.

In addition, there was concern in the United States about our heavy commitments to the Alliance in manpower and expenditure. Critics persistently asked why the United States could not reduce its forces in Europe. Moreover, there was a growing opinion that our European deployments only further aggravated an already adverse balance of payments.

This environment of 1969-70 led me to insist on a full-scale review, not only of the American commitment but also of the Alliance's policies. It was futile to simply debate whether the United States should cut its forces by this or that number. The real issues were whether those forces were the instruments of an agreed and rational strategy, whether their presence made an essential difference, and whether the burdens of commitment were shared equitably.

Throughout 1969 and 1970 the United States and its allies engaged in a searching reexamination of defense policy. The principal results, announced in December 1970, were significant:

- All agreed it was essential to reverse the trend of declining capabilities and adopt a concerted, long-term program to improve existing conventional forces.
- The European allies agreed to a specific five-year program to improve and modernize their own forces by spending more for equipment.
- The Alliance concluded that a commitment of substantial U.S. forces was indispensable to Western Europe's defense.
- We, in turn, reaffirmed our commitment to maintain and improve our own forces in Europe, given a similar effort by the allies.

Force Improvements. Our European allies increased defense expenditures in both 1971 and 1972. Even allowing for inflation, the net increase was three to four percent. In each year since 1970, they have committed an additional \$1 billion through the European Defense Improvement Program. Their defense budget increases in 1972 were more than \$1 billion, and last December the European Defense Ministers announced that in 1973 their additional contributions

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would total \$1.5 billion. Since 1970, the European allies have increased equipment expenditures by \$1.4 billion. During 1971 and 1972 they bought 1,100 main battle tanks, 700 antitank weapons, and 400 modern combat aircraft, as well as other equipment. This has been an impressive response in a period of rising costs and of growing demands of domestic programs.

Sharing the Defense Burden. Improvements in European forces are the most important aspect of sharing the defense burden. As almost all European defense expenditures are directly related to NATO, increased European effort means in practice that the U.S. share is less. This is an appropriate solution, since the United States maintains forces to meet global commitments and therefore devotes a much higher share of its economic product to defense than do the Europeans.

There is another aspect of the defense burden, however, that has not been satisfactorily resolved. Our position is unique in that our deployments in Europe add significantly to our general balance of payments deficit. In 1972 the United States spent about \$2.1 billion in other NATO countries to support our NATO deployments. Allowing for NATO military spending in the United States, mainly for equipment and training, our net military deficit was about \$1.5 billion. This net deficit has risen since 1970 and for a variety of reasons, including the devaluation of the dollar, will continue to rise.

In previous years, the Federal Republic of Germany offset a large part of this deficit, primarily by purchases of military equipment in the United States. In the current agreement for 1972-73, the German government also contributed to the costs of rehabilitating the barracks for U.S. forces in Germany.

Nevertheless, the Alliance as a whole should examine this problem. As a general principle, we should move toward a lasting solution under which balance of payments consequences from stationing U.S. forces in Europe will not be substantially different from those of maintaining the same forces in the United States. It is reasonable to expect the Alliance to examine this problem this year. Eliminating the periodic requirement to renegotiate a temporary arrangement with only one ally would strengthen the solidarity of the Alliance as a whole.

The Role of United States Forces. The efforts undertaken by our allies since 1970 are the basis for my pledge to maintain our NATO commitments. At the NATO Council meeting last December, I reaffirmed my position:

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"In light of the present strategic balance and of similar efforts by our allies, we will not only maintain but improve our forces in Europe and will not reduce them unless there is reciprocal action by our adversaries."

This pledge rests on a fundamental view, as valid today as it has been since World War II, that the security of Western Europe is inseparable from our own.

The conditions of this decade require the United States to maintain substantial forces in Europe. In conditions of near strategic parity, a strong capability to defend with non-nuclear forces becomes increasingly important; the United States contributes about one-quarter of NATO's forces in Europe's vital central region, though our allies' proportionate share of forces in the entire European NATO area is far higher.

The balance of conventional forces in the center of Europe would be seriously upset by the unilateral withdrawal of a substantial number of U.S. forces. Unless our reductions were completely replaced by European forces, deterrence would be weakened. In the event of hostilities, a weaker conventional defense could confront the Alliance with the choice of either capitulating or using nuclear weapons immediately.

Defense cooperation within Europe may be a long-term alternative to the American troop contribution. But the prerequisite for such an alternative is a far greater degree of European political unity. Yet even if such unity develops, it is unlikely that the Europeans alone could maintain a strategic balance against the enormous nuclear power of the Soviet Union.

In short, disengaging our forces would risk serious instability in Europe, the consequences of greatly enhanced Soviet influence, and the dangerous implications of a greater reliance on nuclear weapons. If, on the other hand, we and our allies maintain our strength, we can contribute to political stability, reduce the likelihood of war, and conduct a credible diplomacy to negotiate a mutual reduction of forces.

We cannot enter serious negotiations if, at the outset, we or our allies allow our positions to weaken. I intend to maintain an effective American military contribution to the alliance and to pursue negotiations for a mutual force reduction that will create a viable balance in which the incentives for attack are effectively eliminated.

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Unfinished Tasks. In the past four years the Alliance has diagnosed some fundamental weaknesses and agreed on remedies. In 1971 and 1972 we embarked on a concerted effort to improve our forces. The immediate and, in many ways, the most urgent problem has been faced. We are now in a position to examine more systematically some of the longer-term issues:

- In the later 1970's, all allies will face the enormous expense of maintaining more sophisticated equipment, paying larger costs for personnel, and maintaining a high degree of combat readiness while national conscription may be eliminated or the terms of service reduced.
- In these circumstances, it is essential to define more precisely what we mean by an adequate NATO defense. Specifically, what do we mean by forward defense? Should we plan for maximum effort during some initial period of combat? Should we plan for a sustained effort over a longer period? If so, for what purpose? Can we maintain the logistical support for a sustained defense?
- If we can maintain the high level of conventional defense that is our goal, we still must examine our nuclear doctrines. When, in what way, and for what objective should we use tactical nuclear weapons? How do independent national nuclear forces affect Alliance decisions? Do we require different institutions to examine such overriding issues within the Alliance?
- What is the relationship between existing and planned defense programs and the diplomatic effort to reduce forces?

The answers to these questions are vital to Alliance policy in the 1970's. They require urgent but careful consideration. The United States believes that a strong conventional defense is essential to credible deterrence and that the Alliance must also possess a credible nuclear deterrent. But in the strategic conditions of this decade these issues must be reexamined, and the contribution of each ally determined for the long term.

In particular, the prospect of mutual and balanced force reductions in Central Europe raises some immediate questions for the Alliance. Mutual force reductions are first of all a military problem; specific reductions must be measured against their effect on our defense capabilities. We therefore need a common security concept within which we can contemplate some reductions. If we justify force reductions as part of a political accommodation, or as a means

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to promote detente, the Alliance will be involved in endless debate over what level of reductions will produce what degree of political relaxation. In such a debate, it would be almost impossible to find an answer that would satisfy everyone and that would not undermine security.

Our objective should be to create a military balance that is more viable because it deals with the concerns of both sides and is seen by all to be in the common interest. We want a greater degree of stability, in which neither side gains an advantage because of lower force levels.

The Alliance should thus proceed on three parallel courses: first, to continue the effort to bring our forces to the level and quality required by the doctrine of flexible response; second, to review the strategic options involved in conducting a nuclear defense if necessary; and third, to prepare within the Alliance a military-political framework that integrates defense planning with the diplomacy of negotiating mutual and balanced force reductions.

Alliance Diplomacy. Through most of the 1960's, the problem of reconciling allied unity with national diplomacy was not critical. East-West relations were virtually frozen. Confrontation required less in the way of creative initiative, but put a premium on allied unity.

This broad cohesion and strength of the Alliance contributed to the changing international conditions that in turn offered a new opportunity for Alliance diplomacy in 1969. But important political problems also emerged.

- International diplomacy is still conducted by nation states. The European members of NATO have regional security interests, which they must accord priority, and each ally has a national stake in European security. Increasingly in recent years, however, individual European states have pursued their bilateral relations with the Soviet Union as well as with other members of the Warsaw Pact.
- The United States has vital interests outside of Europe, and must deal bilaterally with the Soviet Union on strategic matters and on many global issues. Each member of NATO, however, has an interest in, and is affected by, the development of U.S.-Soviet relations; our allies wish to influence our relations with the Soviet Union to strengthen their own security. At times our allies have urged the United States to be more flexible in approaches to the Soviet Union; in other periods, they have criticized us for moving too fast or too far in relations with Moscow.

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In 1969, the NATO allies were persuaded that new initiatives were required but, in the wake of the invasion of Czechoslovakia, were uncertain whether to renew contacts with the East. Some allies regarded a European Security Conference as a possible starting point; others urged negotiations on force reductions. The United States was preparing for strategic arms limitation talks. Unless we could agree on a common strategy, no substantial progress could be expected that did not strain our unity. Accordingly, in April 1969, I urged the Alliance to revive the process of close consultations and committed the United States to continuing Alliance review of SALT. Consultations would address certain general tasks.

First, we needed to identify the specific sources of tensions that might be resolved.

Second, we had to agree on how to manage the priorities and interrelationship among major issues: those of primary concern to one country, for example West Germany's Eastern policy; those of regional concern, such as mutual force reductions and a European security conference; and those of international concern, such as SALT.

Third, we had to recognize that issues would be dealt with by different countries in different forums. Such diversity required an essential harmonization of purposes as well as a degree of national autonomy.

Initial Progress. The United States urged that the Alliance take the initiative in proposing negotiations on Berlin as an essential first step. Berlin was a natural starting point for several reasons. It was a source of recurrent confrontations. If the Soviet Union chose, it could continue exploiting the vulnerability of West Berlin's access routes across East Germany to exert pressure against West Germany and the three Western Powers. On the other hand, there was no objective reason why the Soviet Union could not permit practical improvements in travel to Berlin if, as it claimed, it had a serious interest in a relaxation of European tensions. If we could not resolve this one specific issue, there was little prospect of resolving broader security questions.

Thus, the negotiations over Berlin were an initial opportunity to explore whether East-West relations could move away from the rigidities of the Cold War. Moreover, the Federal Republic of Germany had embarked on an Eastern policy to normalize its relations with the Soviet Union. Ultimately, the Federal Republic's ratification of its August 1970 treaty with the Soviet Union became dependent on the success of the Berlin negotiations being conducted by the United States, The United Kingdom, France, and the Soviet Union.

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In September 1971, the first part of a Berlin agreement was reached. Unimpeded access between West Germany and West Berlin was guaranteed by the Soviet Union, without affecting the rights and responsibilities of the three Western powers in Berlin. The agreement provided for subsequent negotiations between the Federal Republic, the West Berlin government, and East Germany over the modalities of access to Berlin and travel from West Berlin to East Berlin and East Germany. During my meeting with the Soviet leaders in May 1972, it was agreed that the final Protocol, bringing all parts of the Berlin agreements into effect, would be signed on June 3, 1972. The West German government, following parliamentary approval of the treaties with the Soviet Union and Poland, proceeded to bring them into force, opening the way for it to negotiate a general treaty regulating relations with East Germany.

These past four years have been a period of active European and international diplomacy. In addition to the Berlin agreement and the German treaties, France agreed on a set of principles for political consultations with the Soviet Union. Canada agreed on a somewhat similar arrangement during Premier Kosygin's visit. West Germany and Italy negotiated long-term economic agreements with the Soviet Union. There have been several summit meetings between Soviet and West European leaders. And the United States agreed with the Soviet Union on strategic arms limitations, measures of bilateral cooperation, and some basic principles governing our relations.

In sum, the allies have intensified their national diplomacy within a framework of unity. But the very success of the past four years has created some new problems. Each of the European countries will want to continue the development of its own bilateral economic and political relations with the Soviet Union and Eastern Europe. The United States also wishes to pursue the favorable trends that have developed in our relations with the Soviet Union. Each of our allies naturally wants a major voice in negotiations affecting Europe as a whole, and in those aspects of Soviet-American relations that affect international stability.

Two specific issues will test the ability of the Western coalition to reconcile its unity with its diversity: the Conference on Security and Cooperation in Europe and the negotiations on mutual and balanced force reductions.

The Conference on Security and Cooperation in Europe. In March 1969, the Warsaw Pact revived its proposal to convene a European Security Conference. Such a conference would be largely symbolic; its purpose would be to confirm the territorial and political status quo in Europe. There was some feeling in the West that this proposal should be accepted; it was thought that it might be a way

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to dissipate the tensions over the invasion of Czechoslovakia in August 1968 and to test Soviet policy. Some viewed it as a way of creating a better atmosphere for subsequent talks, while others saw it as a link to more specific issues, such as force reductions.

We were skeptical about symbolic acts that failed to deal with the substance of East-West tensions. The urgent issues of European security were the tensions over Berlin and Germany and the military confrontation in Central Europe. We could not hand over our responsibilities in Berlin to a European conference. If we could not make progress on a central issue such as Berlin, the results of a broad conference would be illusory. To stimulate an atmosphere of detente through symbolic gestures could only lead to disillusionment and insecurity.

The United States, therefore, took the position that a European conference would only be acceptable if there was progress on specific issues, including the Berlin negotiations. A conference might be appropriate if individual countries succeeded in regulating their relations and resolving some of their territorial and political issues.

This was accomplished by West Germany's treaties with the Soviet Union and Poland, the Quadripartite Agreement on Berlin, and the SALT agreements. At my summit meeting with the Soviet leaders in May 1972, I agreed that we now could begin preparing for a European conference with the aim of broadening European cooperation.

Preparatory talks began last November to find out whether there was sufficient common ground to justify a conference of Foreign Ministers. A provisional agenda is being developed, which the Foreign Ministers could consider. Progress thus far suggests that the conference can be convened this year and that it may be possible to move forward on several important questions.

- The participants will address certain principles of security and cooperation. If all European countries subscribe to common principles of conduct, and carry them out in practice, there could be a further relaxation of tensions. Certain military security matters designed to improve confidence will also be considered.
- The conference would be an appropriate forum to discuss practical cooperation in economics, cultural exchange, science, and technology, on which there has already been progress in bilateral relations.

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- The conference can consider how to facilitate contacts among the peoples of Europe and how to encourage countries to exchange ideas and information.

The Conference on Security and Cooperation in Europe thus can set a new tone for European relations and establish new modes of conduct and means of cooperation. These would be practical steps toward normal relations.

Mutual and Balanced Force Reductions. The exchanges leading up to the conference also acted as a bridge to negotiations on a more specific and central security issue -- mutual and balanced force reductions in Central Europe. The prospects for arms control in Europe are obviously linked to political improvements between East and West. Throughout the 1950's and 1960's there were proposals for arms control in Europe. But it was unrealistic to expect to negotiate a reduction of forces -- for example, in Germany, where there were almost continuous crises over Berlin. Moreover, the reduction of military forces in Central Europe was related to the strategic balance between the United States and Soviet Union and to the political situation within the Warsaw Pact.

For these reasons, the NATO proposals of June 1968 to begin negotiations on force reductions were received coolly by the Warsaw Pact. Not until the Berlin and SALT agreements were concluded in 1972 was it possible to work out a sequence for beginning negotiations in separate forums on a Conference on Security and Cooperation in Europe and on mutual and balanced force reductions.

The initial talks on mutual and balanced force reductions, now underway in Vienna, will lay the groundwork for more formal negotiations next fall. The military and arms control aspects of force reductions are treated in other sections of this Report. Certain points that affect Atlantic political unity should be summarized.

Perhaps more than any other single issue, the problem of force reductions crystallizes the basic issue of reconciling Alliance unity and national diversity. We will need an unprecedented degree of unity on fundamental military and political security questions. The outcome of the negotiations will affect the entire Alliance, regardless of who sits at the table or which forces are reduced. Indeed, the very process of negotiating will test our common purposes.

Each member brings to this issue strongly held national viewpoints. We must avoid efforts to protect national interests by procedural devices or tactical solutions. That approach would merely defer or avoid the hard questions.

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Ultimately it will be disruptive and open the Alliance to exploitation by the other side. Our goal must be agreement on basic security principles. We must meet individual national concerns within a common concept of security, and forthrightly address the question of how to maintain our security at reduced force levels. The issues are highly sensitive, and Alliance discussions will be painstaking and difficult.

The United States is engaged in the most serious consultations with our allies to prepare for negotiations later this year. Force reductions in Central Europe are, of course, an element of the complex of U.S.-Soviet relations. The U.S. and Soviet forces are comparable in that they are not indigenous to Central Europe and might be candidates for reduction.

The United States will not subordinate the security of the Alliance to Soviet-American relations. We are aware of European concerns in this regard. Repeated American reassurances, however, have not alleviated these concerns. Mutual confidence within the Alliance will develop only through an agreement on the basic security framework for the negotiations.

Relations with Eastern Europe

The improvement in our relations with the Soviet Union during 1972 has created a better atmosphere for our relations with the countries of Eastern Europe. But we do not regard our relations with any East European countries as a function of our relations with Moscow. We reject the idea of special rights or advantages for outside powers in the region. We welcomed and responded to opportunities to develop our relations with the East European countries long before the Moscow Summit. And we shall continue to seek ways to expand our economic, scientific, technological, and cultural contacts with them. Mutual benefit and reciprocity are governing principles.

As the postwar rigidity between Eastern and Western Europe eases, peoples in both areas expect to see the benefits of relaxation in their daily lives. These aspirations are fully justified. An era of cooperation in Europe should produce a variety of new relationships not just between governments but between organizations, institutions, business firms, and people in all walks of life. If peace in Europe is to be durable, its foundation must be broad.

My visits to Romania in 1969, Yugoslavia in 1970, and Poland in 1972 were designed to help open the door to these broader relationships.

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During my visit to Warsaw last June, I agreed with the Polish leaders to increased U.S.-Polish trade and exchanges in science, technology, culture, tourism, and transportation. A joint American-Polish trade commission has been established. After our governments had reciprocally agreed to export financing arrangements, I determined that Export-Import Bank credits should be made available for transactions with Poland. Other agreements to facilitate trade, increase exchanges in science and technology, and improve consular facilities also have been signed.

Secretary of State Rogers' visit in July to Yugoslavia reaffirmed our long-standing and cordial relationship with that important nonaligned country. Its independence, political stability, and economic well-being are key factors for continuing peace in Europe.

Romania's desire for close and mutually beneficial relations has led during the past three years to practical cooperation and to helpful consultations, including my visit to Bucharest and President Ceausescu's trip to Washington. Last year we approved the extending of guarantees to private investment in Romania, and I continue to hope that the Congress will provide authority to extend Most Favored Nation tariff treatment to that country. In December we signed the most comprehensive cultural and scientific exchange agreement in the history of our relations with Romania.

Last summer Secretary Rogers signed consular conventions with both Romania and Hungary. His visit to Budapest and the subsequent settlement of the long-standing United States claims against Hungary have improved prospects for more normal relations.

We remain ready to establish constructive relationships on a reciprocal basis with all countries in Eastern Europe. Differences in social, economic, and political systems exist, and must be acknowledged frankly. But they will not bar our cooperation with any country that seeks it.

The Outlook

In 1972, the face of world politics changed dramatically. But one constant factor in this changing pattern has been the close relationship among the Atlantic allies. It has been true, however, that as the relaxation of East-West tensions became more pronounced, some of our allies questioned whether the United States would remain committed to Europe or would instead pursue a new balance of power in which the older alignments would be diluted and distinctions

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between allies and adversaries would disappear. Apprehensions may be inevitable in a period of great international change after a long period of confrontation. As relations between adversaries are ameliorated, those not directly involved tend to worry that their own interests are somehow subordinate to new relationships.

But the United States will never compromise the security of Europe or the interests of our allies. The best reassurance of our unity, however, lies not in verbal pledges but in the knowledge of agreed purposes and common policies. For almost a decade the Alliance has debated questions of defense and detente -- some urging one course, others a different priority. Now the debates should end. We must close ranks and chart our course together for the decade ahead. There is an obvious agenda for Alliance action.

- The United States supports European unity, as we always have. But now we need to define together the basis of cooperative economic relations between the United States and the European Community in this decade. To do this, we need a new affirmation of our common goals, to give political direction to our economic negotiations and promote cooperative solutions.
- The United States will maintain its forces in Europe. We will not withdraw unilaterally. But together we need to agree on our common defense requirements and on the contributions each ally and the Alliance collectively must make to preserve our security in new conditions.
- We need a concerted strategy for dealing with security and diplomatic issues of common concern, in whatever forum these are pursued.
- In the 1970's we face new common issues, such as ensuring the supply of energy resources for industrialized nations. This must be a new area of our cooperation.

1973 is the year of Europe because of the historic opportunities we face together. The United States, Canada, and Western Europe have a decisive contribution to make to a healthy world economy and to a new peaceful international order. These are new creative tasks for our partnership.

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JAPAN

Today we see a new Japan. Her emergence is one of the most striking new features of the international landscape of the 1970's and one of the most dramatic transformations since the period following the Second World War. To speak of Japan's phenomenal economic performance has long been commonplace. Less noted, more recent -- and of fundamental importance -- is the impact of this power on the international political order. This is a challenge for Japanese policy, for American policy, and for the alliance that binds us together.

- In the economic dimension, Japan is a superpower. By 1968 she was the world's third greatest industrial nation, and she may become the second greatest within a decade's time. Her rate of real growth annually in the 1960's was 11.3 percent, the fastest of any industrial nation. She impacts upon the world as a trading power of enormous strength: over the period 1968-1971 her exports grew faster than 20 percent per year. In 1971, she ran an extraordinary trade surplus of \$4.1 billion with the United States, \$1 billion with the European Community, and \$9 billion with the world as a whole. A chronic imbalance of such a scale could not fail to have implications for the stability and equity of the international economic system.
- In her foreign economic policy, while not in her diplomacy and security policy, Japan began as early as the mid-1950's to move out independently. Her economic assistance to the developing world is second only to that of the United States, and more than a third of it is in the form of credits tied to Japanese exports. Japan has long had trade relations with the major Communist powers. Unofficial Japanese trading relationships existed with the People's Republic of China as early as 1952, and Japan had an unofficial trade office in Peking by 1964; by 1971, when American trade with the People's Republic was still negligible, Sino-Japanese trade was \$900 million. Japan signed a Treaty of Commerce and Navigation with the Soviet Union in 1957, which has been the basis for a series of subsequent trade agreements; in recent years they have begun cooperation in the development of Siberian resources -- an economic relationship of great potential. While the United States held back from East-West trade, Japan staked out for herself a role bridging the gap between East and West with her economic ties.

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- It was inevitable that these economic relations would develop into political ties, particularly in the new atmosphere of detente. Japan has moved actively in this direction in the past two years. Prime Minister Tanaka's historic visit to Peking in September 1972 led to the establishment of full diplomatic relations, again putting formal Sino-Japanese ties at a more advanced stage than Sino-American relations, while she still maintains her extensive economic ties with Taiwan. Japan and the Soviet Union reopened discussions in 1972 of a possible final peace treaty and territorial settlement, in the interest of normalization of their political relations. Prime Minister Tanaka will shortly match his visit to Peking with a visit to Moscow. Japan has now moved out in many directions into the arena of complex geo-political relationships among the major powers.
- Japan has accelerated and broadened her political involvement in Asia in particular. She extended recognition to Mongolia and Bangladesh in advance of the United States, as did a number of other nations. She has taken a special interest in the security and diplomacy of the Korean peninsula, and in postwar reconstruction in Indochina, opening in the process a dialogue with North Vietnam. She takes a greater part today in regional institutions. Asia is the focus of her economic assistance to the developing world. It is an active diplomacy of Asian involvement, after a generation.
- Japan has now come into increasing interchange with the world beyond Asia and the Pacific, both as a participant and as a competitor. The communiqus of my summit meetings with Prime Ministers Sato and Tanaka reflected our review of global problems, including arms control and East-West diplomacy. Japan's economic expansion has brought her increasingly into the markets of Europe and Latin America. Her political contacts with Europe are steadily expanding; in September, for example, Prime Minister Heath became the first British Prime Minister to visit Japan, and Prime Minister Tanaka plans a return visit this fall. Japan's dependence on Middle East oil has given her a special interest in the energy problem. Her participation in United Nations diplomacy has grown more active, and she has shown interest in claiming a permanent seat on the Security Council as a major power.
- In the security field, Japan has for years relied on her Treaty with the United States and on the American nuclear deterrent, which freed resources and energies that would otherwise have been required for defense. But she has steadily improved her own conventional

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defenses, emphasizing modernization rather than size, upgrading her forces in firepower, mobility, and anti-submarine warfare and air defense capability. Her Fourth Defense Plan, for 1972-1976, doubles the expenditure of her Third Plan. This still represents less than one percent annually of her Gross National Product, while this Gross National Product has been growing at over ten percent a year. With the reversion of Okinawa, Japanese forces have now moved southward to take over its defense. These are important steps toward self-reliance and improved capacity for conventional defense of all Japanese territory.

This was an inevitable evolution.

There was no way that Japan and Japan's role in the world could go unaffected by the profound transformation of the international order over the last 25 years. All our alliances have been affected. The recovery and rejuvenation of allies has eroded the rigid bipolar system and given all our allies greater room for independent action. The easing of the Cold War military confrontation has brought other aspects of power -- economic, in particular -- to the forefront of the international political stage. U.S. military protection no longer suffices as the principal rationale for close partnership and cooperation. In every allied country, leadership has begun to pass to a new generation eager to assert a new national identity at home and abroad.

Japan's emergence is a political fact of enormous importance. Japan is now a major factor in the international system, and her conduct is a major determinant of its stability.

As I have indicated in each of my previous Foreign Policy Reports, I have been concerned since the beginning of this Administration that our alliance relations with Japan had to keep in step with these new conditions. We are faced with new responsibilities toward each other and toward the world. We are challenged to respond to this evolution creatively and together, to keep our alliance on a firm basis in a new era.

For the U.S.-Japanese alliance remains central to the foreign policies of both countries. We are two major powers of the free world, interdependent to an extraordinary degree for our prosperity and our security. The United States therefore places the highest possible value upon this partnership, as it has for more than two decades.

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In this year of new commitment to strengthening our ties with Western Europe, I am determined no less to strengthen our alliance with Japan.

Our Alliance and its Evolution

In 1969, when I came into office, the challenge of new conditions presented itself concretely in the issue of Okinawa. For 25 years since the war, the United States had retained the administrative rights to Okinawa to protect military installations there which were, and still are, vitally important to the defense of East and Southeast Asia. By the mid-1960's, however, the Japanese had come to feel strongly that our continued administration of Okinawa was inconsistent with Japan's national dignity and sovereignty. We risked a crisis in our relations if we did not respond.

Therefore, I made the basic choice: our long-term relationship with Japan was clearly our fundamental interest. Accordingly, at my summit meeting with Prime Minister Sato in November 1969, we announced our agreement on the reversion of Okinawa to Japanese administration by 1972. The United States could continue to use such facilities there as the two countries agreed were required for mutual security, but subject to the same terms as facilities elsewhere in Japan. At the same time, in the communique of that summit meeting, Japan and the United States declared more explicitly than ever before our joint commitment to active cooperation in diplomacy and security in the Far East, and in economic relations bilaterally and worldwide.

Thus in 1969 the United States acknowledged the new Japan. Our two governments addressed an outstanding problem, treated it as a common problem, and solved it. We reaffirmed our essential unity of purpose. In 1970, when the Treaty of Mutual Security and Cooperation became technically subject to review, neither government raised any doubt about its continuing validity and importance.

But the adjustment we made in 1969 proved to be only the beginning of a complex process of transition in our relations.

For twenty years we had achieved common policies in the areas of East-West diplomacy, economics, and mutual security with relative ease. It is clear today that this was in part the product of unique conditions in the postwar period that are no longer with us. An adjustment in all our alliance relationships was inevitable. Today, the harmony of our policies is far from automatic. We and all our allies have a heavy responsibility to proceed from an understanding of both the positive and the negative possibilities of our independent action.

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It was also inevitable that this transition into a new political environment would pose a particular challenge for Japan.

The character of our alliance had been shaped in the period of Japanese dependence. Defeat in war had shattered her economy, political system, and national confidence. Occupation, the Cold War, and Japan's own renunciation of offensive military capability put her in the position of almost total reliance on our military protection. Japan accepted American leadership and only gradually came to take part in international diplomacy.

This was not an uncomfortable arrangement then for either the United States or Japan. The United States in the postwar period assumed the role and bore the responsibilities which our preponderant power gave us. We acted as the protector and champion of a network of alliances locked in rigid confrontation with the Communist world -- as the leader, senior partner, and chief actor. Japan found this arrangement consistent with her own objectives -- not only in the conditions of her postwar weakness but even for a time as she recovered her political and economic vitality. By geography and history, unlike most of our European allies, Japan was a late-comer to global multilateral diplomacy. Even in the twentieth century, her focus has been in the Pacific. The conditions she faced after World War II inevitably caused her to gear her policy and policy making structure to the needs of economic recovery and expansion.

By the time I came into office, an alliance relationship of this character -- which was suited to postwar conditions and had served us both well -- needed adjustment.

Japan's resurgence from a recipient of American aid into a major economic power and competitor was bound to affect the external political framework which had helped make it possible. In her dealings with the United States, in particular, Japan no longer needed or could afford an almost exclusive concentration on her economic advancement or a habit of acting as a junior partner. She still enjoyed the special advantage that her reliance on the United States for her security freed resources for her economic expansion. The political relationships which continued to safeguard her would require greater reciprocity in her economic relations.

Moreover, Japan was no longer just a regional Pacific power dependent on the United States in the broader diplomatic field. Europe, Asia, North and South America, and Africa were now part of one vast arena of multilateral diplomacy in which Japan was a major factor. Japan was already acting autonomously in an expanding sphere. Her power now brought her new responsibilities. The

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weight of her economic involvement in the world -- her stake in the free world's economic system, her extensive aid programs, and her growing economic ties with Communist powers -- would require that she make her decisions on broader policy grounds than economic calculations. We and Japan, as allies, would have to face up to the problem of keeping our independent policies directed at common objectives.

These are the fundamental developments I have sought to address over the last four years. I have sought to adapt our partnership to these transformed conditions of greater equality and multipolar diplomacy. My three meetings with Japanese Prime Ministers, my decision on Okinawa, our discussions of new cooperation in the Far East and in bilateral and multilateral economic areas, and our policies toward China -- were all part of this.

The intimacy of the postwar U.S.-Japanese alliance, however, inevitably gave Japan a special sensitivity to the evolution of United States foreign policy. We thus found the paradox that Japan seemed to feel that her reliance on us should limit change or initiatives in American policy, even while she was actively seeking new directions in many dimensions of her own policy. But our abandoning our paternalistic style of alliance leadership meant not that we were casting Japan or any ally adrift, but that we took our allies more seriously, as full partners. Our recognizing the new multipolarity of the world meant not a loss of interest in our alliances, but the contrary -- an acknowledgement of the new importance of our allies. American initiatives, such as in China policy or economic policy, were not directed against Japan, but were taken in a common interest or in a much broader context -- and in some cases in response to Japanese policies.

The underlying basis of our unity endured. The very centrality of the alliance in Japanese policy was at the heart of the problem. But Japan had to face the implications of her new independence and strength just as the United States was seeking to do. And until this psychological adjustment was fully made by both sides, anomalies in our relations were bound to persist.

This is the background to the events of the past two years and the current public issues facing the U.S.-Japanese alliance.

The Issues On Our Common Agenda

The Economic Dimension. The most urgent issue in U.S.-Japanese relations today is economic -- the enormous imbalance in our bilateral trade. We must reduce this imbalance to manageable size in the earliest possible time-frame.

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As Prime Minister Tanaka has recognized, this is not merely an American problem; it is also a Japanese problem. This is not only because persistent disputes over these economic issues threaten to disrupt the political relations that hold our alliance together; the imbalance is a threat to a stable international system in which Japan herself has a major stake. In 1972, Japan's trade was in surplus with all the major industrial nations of the world. As long as the United States remains the largest single factor in international trade and the dollar is still the principal factor in the monetary structure, the disequilibrium of the American position, in particular, is a chronic problem of the world system. The United States therefore seeks cooperative solutions, bilaterally and multilaterally, to build a new stable and open system of world monetary and trade relations.

The responsibility that falls on Japan as the free world nation with the strongest trading position is necessarily heavy.

The challenge to leadership on all sides is to give firm political direction to our economic relations because of the broader objectives that are at stake. Organizationally, on all sides, there is a tendency for actions to be taken or policies to be established from the viewpoint of a purely economic national interest or under pressure from particular domestic economic interests. This has only resulted in destabilizing both our economic and our political relations, and we can no longer afford it.

The U.S.-Japanese bilateral economic relationship is at the heart of the issue. It is extraordinary in its scale, importance, and interdependence. The Gross National Product of the United States and Japan together is 40 percent of the total Gross National Product of the world. Trade between us totalled \$12.5 billion in 1972. Japan is our most important trading partner in the world aside from Canada. Our economic policies, internal and global, necessarily affect each other bilaterally to a profound degree.

On August 15, 1971, the United States took a number of unilateral economic steps which inevitably had a particular impact on Japan. They were emergency measures, forced upon us by a monetary crisis; their focus was on putting our own house in order and in setting the stage for international reform. The measures which applied to our external relations were nondiscriminatory, affecting all our trading partners. The resolution of the crisis could only be achieved multilaterally, by cooperation among all the major economic nations, as was accomplished at the Smithsonian in December 1971. Coming a month after the China announcement, however, these measures intensified the fears of many on both sides of the Pacific that our relations with Japan were in danger. Unlike

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the case of China policy, where the divergence of interest between the United States and Japan was largely illusory, the strain in our economic relations was clearly real. It was a deep-seated and growing difficulty to which the United States had long been calling attention. The economic events of August 1971 had the salutary effect of finally bringing attention to this problem and bringing political urgency to its solution.

Japan's trade surplus with the United States reflects to a certain extent the competitiveness and productivity of the Japanese economy, as well as the slowness of American exporters to exploit potential markets in Japan. But to a significant degree it has been promoted by anachronistic exchange rates and an elaborate Japanese system of government assistance, complex pricing policies, and restrictions on imports and foreign investment in Japan -- vestiges of an earlier period when Japan was still struggling to become competitive with the West. Japan's interest in protecting weaker sectors in her home market is now no different from that of every other nation. The requirement today is a fair system of mutual access to expand trade in a balanced way in both directions. Continued cooperation in dealing with this problem positively is crucial to the ability to fend off growing protectionist pressures and to ensure that the United States is able to address the issues of international trade positively as well. This is a political imperative for both sides.

We believe we have made some progress in the past year.

In January 1972 we concluded an agreement moderating the growth of Japanese synthetic textile sales in the U.S. market, mitigating what had become a major irritant. Voluntary quota arrangements have been reached governing steel. Last July, in preparation for my summit meeting with Prime Minister Tanaka, high-level bilateral negotiations at Hakone, Japan, produced important measures of liberalization of access to the Japanese market and commitments to increase Japanese purchases of agricultural products, civil aircraft, uranium enrichment services, and military items from the United States. At our meeting in Hawaii, Prime Minister Tanaka committed his government to promote imports from the United States and to reduce the imbalance to a more manageable size. The Japanese Government has publicly pledged to reduce Japan's global surplus in foreign trade and other current transactions to one percent of Japan's Gross National Product in two or three years. A further step was taken at the end of April 1973 to liberalize restrictions on foreign investment in Japan.

Two major currency revaluations have raised the value of the yen by over 35 percent with respect to the dollar, and there are indications that these are beginning to have an affect on our trade. For the future there is interest on

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both sides of the Pacific in creating regular mechanisms of monitoring and adjustment, to anticipate trade imbalances in particular sectors and head them off before they generate protectionist pressures and political crises. This is a constructive approach, and we should pursue it.

The United States can only place the highest importance on the carrying out of these policies.

The problem, of course, is an international one. The multilateral realignments of currencies in December 1971 and February 1973 were important steps toward a solution, and Japan's participation in these was constructive and crucial. But the basic problem is structural, and the solution is a thorough-going multilateral reform of the system. Japan's active contribution to this process is indispensable, because no system is achievable or workable unless the most powerful economic nations are engaged in it and help actively to make it work.

It is no accident that the U.S.-Japan Security Treaty commits our two nations to "seek to eliminate conflict in their international economic policies and... encourage collaboration between them." Without conscious effort of political will, our economic disputes could tear the fabric of our alliance.

Japan's New Diplomacy. As Japan today moves out in many directions over the terrain of multipolar diplomacy, it will be another test of statesmanship on both sides to ensure that our policies are not divergent. Japan's foreign policy will continue to be shaped by her unique perspectives, purposes, and style. Japan has interests of her own, of which she herself will be the ultimate judge. Our foreign policies will not be identical or inevitably in step. What will preserve our alliance in the new era is not rigidity of policy but a continuing consciousness of the basic interest in stability which we have in common. We must work to maintain a consensus in our policies.

Our respective approaches toward China in 1972 reflected the opportunities and complexities we face, as allies, in the common endeavor of reducing tensions with adversaries.

Japan had for many years been developing economic and cultural contacts with the People's Republic of China when the United States had virtually none. Geography, culture, history, and trade potential have always made China a powerful natural attraction for Japan. Some Japanese criticized the United States

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for the mutual isolation between the United States and the People's Republic of China, and offered Japan as a natural bridge between the two countries. Today, Japan has full diplomatic relations with the People's Republic, while the United States has not, and Japan's trade with China continues to exceed our own by a wide margin.

I have never believed, however, that American and Japanese interests in our China policies were in conflict.

On July 15, 1971, when I announced my forthcoming visit to Peking, Japan -- because of her special closeness to the United States -- feared that our independent action foreshadowed a divergence or conflict with Japan's interest, or a loss of American interest in the U.S.-Japanese alliance. It is obvious now that our China policy involved no inconsistency with our Japan policy. As I explained in last year's Report, I made a conscious decision to preserve the secrecy of Dr. Kissinger's exploratory trip to Peking until its outcome was clear. It was then announced immediately, and the announcement was followed up by a process of intensive substantive consultation with Japan, culminating in my meeting with Prime Minister Sato in San Clemente in January 1972, in advance of my Peking trip. Prime Minister Sato and I found that we were in substantial agreement on the major issues of peace in the Far East; the lessening of tensions in Asia was the goal both allies sought. There was no diminution of our overriding commitment to our alliance.

In Peking a month later, when the People's Republic of China expressed its reservations about the U.S.-Japan Security Treaty and its fears of so-called Japanese "militarism," the United States declared categorically in the Shanghai Communique itself that "the United States places the highest value on its friendly relations with Japan" and "will continue to develop the existing close bonds."

At my summit meeting in Hawaii with Japan's new Prime Minister, Kakuei Tanaka, we addressed our common diplomacy as well as our economic problems. We discussed global issues, Asian issues, and bilateral issues, and strongly reaffirmed the commitment of both countries to our political alliance. It was quickly evident that our China policies, while not identical, were still in basic harmony. Prime Minister Tanaka's own historic journey to Peking was proof of this. Overcoming a legacy of bitterness and mistrust far deeper than that between the United States and the People's Republic of China, these two great Asian nations pledged themselves to the same goals as the Shanghai Communique, and went beyond it to the establishment of full diplomatic relations.

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Thus, there is no inconsistency in principle between our alliance and the new hopeful prospects of relaxation of tension multilaterally. No third country need fear our alliance. Neither Japan nor the United States need fear that our unity precludes a broader community of normalized relations, or independent approaches.

In the years ahead, the kind of close consultation between the United States and Japan which accompanied our respective Peking Summits in 1972 will be critically important to all our diplomatic endeavors. More than our alliance is at stake. Japan has always been conscious of the external global framework within which she was pursuing her own objectives. What is new in the 1970's is her sharing in increased responsibility for it. This responsibility is now implied inescapably in her economic power and her engagement in many directions in global diplomacy.

The complexity of today's geopolitical environment, even in the Asian context alone, is a challenge to a nation of Japan's energy and national spirit undertaking a more active political role. Japan now has the obligations of a major power -- restraint, reciprocity, reliability, and sensitivity to her overriding interest in a stable pattern of global relationships.

Today's multilateralism does not diminish the importance of the U.S.-Japanese alliance. On the contrary, our alliance, which has ensured stability in Asia for 20 years, still does, and serves an essential mutual interest in the new conditions. Secured by her alliance with the United States, Japan can engage herself economically and diplomatically in many directions independently, without fearing for her security or being feared by others. It provides a stable framework for the evolution of Japanese policy. This is a general interest.

The U.S.-Japanese alliance in the new era is thus presented with the same challenge as the Atlantic Alliance. We cannot conduct our individual policies on the basis of self-interest alone, taking our alliance for granted. We have an obligation not to allow our short-term policies to jeopardize our long-term unity, or to allow competitive objectives to threaten the common goals of our political association.

Challenges for the Future

Mature countries do not expect to avoid disputes or conflicts of interest. A mature alliance relationship, however, means facing up to them on the basis of mutuality. It means seriously addressing the underlying causes, not the superficial public events. We are now moving in this direction. We must carry it forward.

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This means certain obligations on both sides.

In the economic area, the most urgent and divisive area, we both have an obligation to address and solve the common problem of our trade imbalance. We have a responsibility to the international system to normalize the bilateral economic relationship that bulks so large in the international economy. We have an obligation to keep the specific commitments made to each other. We have an opportunity to explore positive approaches to averting clashes in the future. We have a responsibility to provide positive leadership in the urgent efforts at multilateral reform.

In both the political and the economic dimensions, we have an obligation as allies to pursue our individual objectives in ways that serve also our common purposes. Whether the issue be the worldwide energy problem, or economic or political relations with Communist countries, or the provision of resources to developing countries, there are competitive interests necessarily involved, but also an overriding collective interest in a stable global environment. It will require a conscious effort of political will not to make the key decisions according to short-term economic or political advantage. This is more than a problem of bureaucratic management; it is a test of statesmanship.

The United States will be sensitive to Japan's unique perspective on the world and Japan's special relationship with the United States. To this end, we have redoubled our efforts at consultation. This consultation is institutionalized at several levels and in several channels -- through our able Ambassadors; through high-level political consultations such as Dr. Kissinger's three visits to Tokyo in 1972; through meetings at the Foreign Minister level such as Mr. Ohira's discussions with Secretary Rogers in Washington in October; through regular Cabinet-level meetings of the Japan-U.S. Committee on Trade and Economic Affairs; and through the three meetings I have had with Japanese Prime Ministers since taking office and the fourth I expect to have this year.

This interchange has a symbolic value in reaffirming a political commitment and also a tangible value in giving it substance.

The same dedication to mutual confidence and close consultation on the part of Japan will be essential as she marks out her independent paths. The complexity of the new diplomacy puts a premium on our steadiness and reliability in all our relationships, particularly with each other.

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Japan's foreign policy is for Japan to decide. Both her security and her economic interests, however, link her destiny firmly to that of the free world. I am confident that the political leaders on both sides of the Pacific are deeply conscious of the common interest that our alliance has served, and deeply committed to preserving it.

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ASIA AND THE PACIFIC

Since V-E Day in 1945, nearly every American killed in war has died in Asia. That fact alone compels our attention and our concern. But there are other vital facts as well which dictate that the vast, changing, throbbing world of Asia will figure importantly in our thoughts and policy calculations as far ahead as any of us can see. Asia is where half of mankind lives and works and dies. What happens to that half of the human race will have a profound impact on the other half. Asia is also that part of the world where developed and developing nations alike have achieved the greatest levels of economic growth in the past decade. That growing economic power is having a profound influence on the lives of the people involved, their neighbors, and the rest of the world.

The United States has been part of the Asian world since we became involved in the China trade in the early 19th Century, and especially after the Spanish-American War made the Philippines an American responsibility. But after the Pacific phase of World War II, our involvement in Asia deepened enormously. Through bilateral and multilateral arrangements, we became the guarantor of the security of many Asian nations -- from Japan and Korea around the rim of Asia to Thailand and on southward to Australia and New Zealand. We also became the principal source of economic and military assistance for many countries in the region. It is against the background of this deep and broad involvement that Asia today has special meaning for most Americans.

But beyond this elaborate record, there are other overriding reasons for our present day concerns about Asia and its future. We continue to have treaty obligations to many Asian allies -- promises to help as much as we can to preserve their independence and their right to live their own lives in peace.

That network of alliances takes on special meaning in light of Asia's special significance on the world scene today. Asia, and particularly Northeast Asia, is the locus of interaction among four of the five great power centers in our world. China is the heartland of this vast region. Siberia and the Far Eastern territories of the Soviet Union spread across the north of Asia from China to the Arctic, from Europe to the Bering Strait. The islands of Japan form a 2,000-mile crescent just off the mainland, running from the frigid waters

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of the North Pacific to semi-tropical Okinawa. The fourth major power of the Pacific area is, of course, the United States. The ways in which these powers act and interact will, to a significant degree, shape the future and determine the stability of Asia. At the same time, issues and developments within Asia will play an important part in shaping overall relationships among the major powers.

Failure to achieve the kind of reconciliation toward which we have moved so far in the past year could prove a mortal blow to the structure of peace. That stark reality is what makes the political evolution of Asia critically important to us and to the world.

Asia: Area of Change

Last year I went to Peking, the first American President to visit the People's Republic of China. That visit began the process of overcoming long years of antagonism, suspicion, and open rivalry. Only a few weeks ago, American prisoners of war and the last American troops returned from Vietnam, marking an end to our direct involvement in our longest and most misunderstood war. These developments remind us that change is the immutable law of international life.

Nowhere has the fact of change been more dramatically evident than in Asia over the past generation. Only 25 years ago, Japan was an occupied country and its people were only beginning to dig themselves out of the rubble of war and to rebuild a shattered society. Korea, too, was occupied but also divided at the 38th parallel where a new war was about to explode. China, the most populous nation on earth, was torn by a bloody civil war that would soon turn it into a Communist state. In the Philippines, the United States had carried out its pledge to grant full independence to a proud people. But elsewhere in Asia, colonialism had not yet run its course. The French were trying to restore their control over Indochina. The Dutch were contending with the forces of Indonesian revolution. Malaya was not yet fully independent, and British control over Burma had only just ended.

The scars and trauma of war were everywhere evident. Economies had been badly shattered. Hunger and hopelessness were widespread. A mood of revolution was palpable in the atmosphere of most Asian capitals.

Asia today is a very different region. Former colonial territories have long since achieved independence. Japan has revived to become the third

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industrial power in the world. Other countries have also enjoyed economic "miracles" of their own, smaller quantitatively than Japan's to be sure, but hardly less impressive in terms of rates of growth. The Republic of Korea is a good example. After the Korean War, many forecasters were predicting that South Korea could survive for decades to come only as a beneficiary of the international dole. But South Korea has proved the prophets wrong, achieving annual rates of economic growth of as much as ten percent, and becoming an important exporter of manufactured goods.

Despite international political fluctuations, the skill and energy of the people of Taiwan have produced remarkable increases in per capita income (more than 13 percent last year) and made Taiwan a leading trading nation. While simultaneously moving toward the goal of normal relations with Peking, the United States has maintained a policy of friendship for the 15 million people of Taiwan. We retain diplomatic ties, commitments under the Mutual Defense Treaty of 1954, and close economic contacts with them.

Thailand, despite the pressures of externally supported insurgency, has continued to make steady economic progress. It has also made an important contribution to regional economic development as well as to the security of the area. Malaysia and Singapore, with imagination and hard work, have raised living standards and maintained stable political systems. The Philippines have had a worldwide impact through their innovative role in introducing high-yield rice strains as part of the Green Revolution. Indonesia, Southeast Asia's most populous country, is forging ahead under able national leadership. Overall, the non-Communist nations of Asia have achieved a remarkable rate of economic growth averaging close to seven percent a year.

Change in Asia has not been confined to achieving independence and making economic progress. South and North Korea, for example, have begun a dialogue to explore the possibility of settling major differences and have agreed that the ultimate unification of their country must be reached by peaceful means. Only a decade ago, Malaysia and Indonesia were virtually at war; today they are cooperative partners in regional organizations.

Japan has also been engaged in difficult adjustments. A generation ago, there was deep suspicion and bitterness between Japan and Korea. Today, though past scars of a painful history have not entirely healed, the two countries have moved toward a closer and mutually beneficial relationship. Japan and the People's Republic of China had for some time been engaged in commercial and cultural exchanges. Last year they agreed to resume full diplomatic relations.

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Despite the lack of a formal peace treaty, Japan and the Soviet Union are discussing projects for cooperative development of Siberian natural resources and increasing trade. If successful, these steps could help promote better political and economic relations between them.

The most obvious area of unresolved antagonism in Asia is in Indochina -- between North Vietnam and its local followers on the one hand, and the legal governments of South Vietnam, Laos, and Cambodia on the other. Ceasefire agreements were reached in January in Vietnam and in February in Laos. These were important and hopeful steps toward ending the conflict in Indochina. At this writing, some fighting continues. It is our deepest hope that this continuing violence will soon end and that lasting peace will be achieved.

The U.S. Response to Asia

When this Administration took office, we determined that a reordering of our relationships with Asia and with other parts of the world was needed. It seemed to many Americans, as it did to me, that our role was too dominant, our presence too pervasive in the changed circumstances of the 1970's. It was time for others -- especially those who had achieved new strength and prosperity -- to do more for themselves and for others. The sacrifices of Vietnam and the internal strains it had created played an important part in shaping this outlook. Another determinant was the continuing deficit in our balance of payments and the pressures this put on the dollar and on our economic health. These and other factors were even pushing some Americans into a mood of growing isolationism.

We recognized this as the gravest kind of threat. Heedless American abdication of its responsibilities to the world would destroy the global balance and the fabric of peace we had worked so hard and long to develop. Those who relied on us to help assure their security would be gravely concerned. Adversaries who had shown a willingness to reconcile long-standing differences would promptly revise their calculations and alter their actions. It was a prescription for chaos.

And so we charted our course between over-extension and withdrawal. We would continue to play a major and active role in world affairs, but we would ask our allies to draw increasingly on their new strength and on their own determination to be more self-reliant. The immediate context for this definition of policy was the defense of Asia. In July 1969, I outlined at Guam the main elements of this new United States approach.

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First, the United States will keep all of its treaty commitments. We will adjust the manner of our support for our allies to new conditions, and we will base our actions on a realistic assessment of our interests. But as a matter of principle, and as a matter of preserving the stability of Asia, we made it clear that the United States would never repudiate its pledged word nor betray an ally.

Second, we shall provide a shield if a nuclear power threatens the freedom of a nation allied with us or of a nation whose survival we consider vital to our security. Maintaining a balance of deterrence among the major powers is the most critical responsibility we bear. We have a special obligation to protect non-nuclear countries against nuclear blackmail and to minimize their incentive to develop nuclear weapons of their own. Only the United States can provide this shield in Asia.

Third, in cases involving other types of aggression we shall furnish military and economic assistance when requested in accordance with our treaty commitments. But we shall look to the nation directly threatened to assume the primary responsibility for providing the manpower for its defense. No nation, large or small, can have any reasonable security unless it is able to mobilize its people and resources for its own defense. Without that kind of national effort, external help cannot fill the vacuum of local indifference against any significant and prolonged threat. Moreover, without a determined local effort, it would be impossible to achieve the kind of broad political support needed in the United States to back another country in any sustained way.

The most important and most obvious application of this new approach to security cooperation was the Vietnamization program which enabled the South Vietnamese to assume the full burden of their own defense. But the Nixon Doctrine has been applied in other countries as well. Japan is gradually expanding its capability for conventional defense of its own territory within its constitutional prohibition against developing offensive forces. There has been expanded joint use of military base areas in Japan, and we are in the process of consolidating many of our base areas, particularly in and around metropolitan Tokyo.

In 1971, we reached an agreement with the Republic of Korea to assist in modernizing its armed forces. At the same time, we reduced U.S. forces stationed in Korea by one-third, bringing home more than 20,000 men. Reduced Congressional appropriations for military assistance in the past two years have forced a slowdown in this program.

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The Philippines have become increasingly self-reliant. We have reduced the number of facilities we maintain there and reduced our forces by almost 13,000 men.

In all, in addition to the 550,000 men who have returned from Vietnam, nearly 100,000 American military personnel and dependents have come home from other parts of Asia during this Administration.

The economic dimension of the Nixon Doctrine recognizes that growing self-reliance and confidence must rest on a secure base of economic stability and growth. We are providing technical and financial resources to help friendly nations cope with problems of security and economic development without putting undue strain on their fragile economic base. Other industrial countries are increasing their share of such help. Multilateral participation has increased through cooperation among international developmental institutions, the Asian Development Bank, and the developed countries. The authority to extend generalized tariff preferences which I have requested in my new Trade Reform Bill, would help the developing countries of the region by increasing the potential for their exports and thus expanding their capacity to increase imports and speed their development.

This evolving process has brought us close to our goals -- a more balanced American role in security arrangements in Asia, an increase in the capacity and willingness of our alliance partners to carry heavier burdens of responsibility for their own protection, and a more equitable sharing of the material and personal costs of security.

Translation of this doctrine into deeds has made it unmistakably clear to all that we are, and will remain, a Pacific power, maintaining balanced forces in the region. It has also made clear that, while adjusting our role in defensive alliances, we are supporting a compensating increase in the ability of Asians to defend themselves.

These decisions and actions had important consequences. I have no doubt that they influenced Hanoi's decision at long last to negotiate seriously and reach an agreement to end the fighting and return our prisoners. I am convinced that never would have happened if we had decided earlier to end our involvement unilaterally, or if we had not helped South Vietnam to strengthen and improve its own military forces.

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Our firmness in Southeast Asia and the maintenance of durable partnerships with our other Asian allies made it possible for us to reach out to other adversaries. And recognizing our determination to remain a power in the Pacific encouraged them to respond positively. The most dramatic example was, of course, my visit to Peking in February 1972 and my meetings there with the leaders of the People's Republic of China.

Looking Ahead

The rapidly changing face of Asia presents those who live there, and others who are deeply involved, with vast opportunities and challenges. The transition from war to peace, the movement from rigid confrontation to gradual accommodation, are heartening signs of what may lie ahead. But nothing is assured in this world, and the promise of progress will be fulfilled only by determination and positive actions on the part of all concerned.

If peace is to be made secure, if men and nations are to be able to continue to advance in reasonable safety, the largest responsibility must be borne by the major powers. It is of critical importance that they continue to move down the path of reconciliation, working together to overcome old bitterness, to settle differences amicably, and to broaden and deepen their efforts to develop new forms of cooperation. Similarly, they must act with the greatest restraint in dealing with each other and with smaller nations. The alternative is renewed confrontation which carries with it the threat of disaster -- for those directly involved and for the world.

The smaller nations of Asia will also have to carry heavy responsibilities. The key ingredient of sustained economic progress will continue to be what they do for themselves. The key ingredient of their safety will continue to be the manpower and resources they are willing and able to invest. And their peace will depend heavily on their ability and readiness to overcome historic rivalries, old territorial disputes, and religious and political differences with their neighbors.

A new spirit of cooperation has developed among many of the countries of Asia in recent years. Thailand, Malaysia, Singapore, Indonesia, and the Philippines are joined in the Association of Southeast Asian Nations (ASEAN) to grapple with common concerns of many kinds. The Asian Development Bank and the Economic Commission for Asia and the Far East (ECAFE) have proved successful instruments for promoting economic progress, and have become outstanding examples of what developed and developing nations can accomplish by working together.

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Economic progress and heightened cooperation among Asian nations cannot obscure the many problems facing those nations, or the several dangers shared by them and their friends, including the United States. We have noted many of the promising developments in present day Asia. But it is not fore-ordained that all or any of them will finally succeed. There are huge obstacles to be overcome -- distrust, deep differences of ideology and social systems, political and economic rivalries. Improvements in atmosphere could easily prove ephemeral, especially if many outstanding issues prove too difficult to settle in a reasonable period of time.

Moreover, some long-standing rivalries may prove intractable and dangers will doubtless continue. North Vietnam's ambition to dominate all of Indochina has not diminished, though it may resort to different tactics or alter the time frame for attaining that goal. There is continuing fighting in South Vietnam and a residue of hatred that will persist for a long time. South and North Korea have been talking to each other, but no one who knows the recent history of that troubled peninsula believes that reconciliation will be easy or will come early. There are other disputes and differences between other Asian nations, and none of them will be resolved quickly.

There is promise, however, in the evolving pattern of efforts by most of those concerned with Asia to limit the dangers of military conflicts flowing from political differences. We can hope that all concerned will come to recognize the high stake they have in the process of normalizing relations. Stable balances, local and multilateral, may ultimately turn into a stable system of peace.

The United States has a deep interest in that outcome and responsibilities to help achieve it. One of those responsibilities is to make sure that our strength and will are not undermined to the point where our presence in Asia has lost most of its relevance. For if our friends conclude that they can no longer depend on the United States for at least the critical margin of assistance in protecting themselves, they may feel compelled to compromise with those who threaten them, including the forces of subversion and revolution in their midst. Equally important, if adversaries conclude that we no longer intend to maintain a significant presence, or that our willingness to take stern measures when pushed too far has disappeared, then the importance of reaching balanced agreements with us will have largely evaporated.

The end result could be an abrupt and deeply dangerous upsetting of the balance that has been created -- and a disintegration of the bridges to reconciliation whose construction has been so effectively begun.

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We shall continue to work closely with the governments and peoples of Asia in their efforts to improve the quality of their lives and raise their standards of living. Obviously, what we do in this area can only supplement the central efforts that they make themselves. But that supplement can be of great importance -- both to their progress and to the quality of the political relations we enjoy with those concerned.

The United States will continue to be a major power in Asia and to make its essential contribution to the creation of a stable framework of peace. To that end, we give our pledge:

- to be steadfast and dependable in support of our friends;
- to continue to bear our fair share of the responsibility for the security of our allies;
- to develop, with realism and imagination, new and mutually beneficial relations with former adversaries in Asia;
- to help, within our limitations, the continued impressive economic progress of one of the world's most vital regions; and
- above all, to take every step within our power to prevent the recurrence of conflict in an area that has known so much suffering and sacrifice for so many centuries.

We can do no more. We would not be true to ourselves or to our deepest interests if we did less.

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LATIN AMERICA

Over the past four years, our interest has been focused on, and our energies dedicated to, a number of supremely important tasks in the world arena: ending a war in an honorable way; putting our relations with long-standing antagonists on a more rational and workable basis; correcting major imbalances in our trade and monetary relationships; and, above all, creating the foundations for a durable structure of peace.

The time and concentration that have gone into these complicated but absolutely crucial efforts have produced allegations that we were neglecting other problems, other areas, and especially other friendly nations. In Latin America this feeling has been particularly widespread, and it is quite understandable. Most Latin Americans, their governments and institutions have become accustomed to dealing with us on the most intimate basis. The flow of people, information, ideas, capital, and goods between the United States and Latin America has increased greatly, particularly since World War II. In some ways, this created a sense of psychological and economic dependence on the United States.

Meanwhile, U.S. attention to Latin America has seemed to wax and wane. At times we appeared to take Latin America for granted. At other times, our zeal and our sense of "mission" led us to take a tutelary role with our neighbors. When we raised the banner of reform, as in the Alliance for Progress, we sometimes tried to tell our neighbors what they really needed and wanted. While all this was done with good intentions and humanitarian concern, and while our efforts had many positive results, they raised expectations to a level that simply was not realizable. Moreover, our approach tended to increase dependence on the United States -- for ideas, for direction, and for money.

At the outset of this Administration, we surveyed the world problems that confronted us, and we made several deliberate decisions regarding our posture toward Latin America. First, we resolved to avoid what we saw as the two basic flaws of past performance: taking our Latin neighbors for granted, assuming that they were irrevocably linked to us by commerce and friendship; and launching a crusade in which we would promise to lead the peoples of the hemisphere to prosperity and happiness under our guidance and our formulas.

Our second decision was that, if we were to have a strong and prospering community of nations in this part of the world, we would have to help develop a new, more healthy relationship among the United States and its neighbors in Latin America and the Caribbean. The kind of mature partnership we envisaged was one in which Latin America would assume increasing responsibility for

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ideas, for initiatives, and for actions. While the United States would continue to be an active partner, there would be a lessening of the dominant role the United States had previously played.

Thus, we deliberately reduced our visibility on the hemispheric stage, hoping that our neighbors would play more active roles. And they have--not always in perfect harmony, it is true, and sometimes looking more to short-range national advantage than to the possibly greater long-range rewards of cooperation. Still, an open dialogue has begun in the family of the Americas and a more balanced and healthy relationship may be taking shape.

We knew that this course would be criticized by some old friends. There would be those who had become accustomed to old forms and old ways of conducting our common business and who might, therefore, feel we were abandoning them. Others would continue to say "If the Americans aren't in the lead, it won't work" or "If Washington doesn't finance this project, nothing will happen." Others would complain that the United States was concerned mainly with Europe and Asia and was losing interest in Latin America.

These voices have indeed been heard. On the other hand, many leaders and governments have used these years to take a more searching look at their own problems and to develop their own solutions. Some have moved imaginatively to increase their industrial production and foreign trade. A few have taken courageous actions, sometimes putting themselves in political peril, to correct their worst internal economic and social problems. Some have taken effective steps to eliminate terrorism. Of course, not all countries have been willing or able to do these things, and some have failed to provide real benefits for their peoples.

The Political Climate

All the countries of Latin America and the Caribbean share the need for economic and social progress. Most have to deal with high rates of unemployment among the unskilled and even the educated youth and severe inequities in the distribution of the wealth produced.

These problems place heavy burdens on the political apparatus of these countries. In addition, many have other strictly political problems. Some nations have only the most fragile tradition of democratic ways. Often, local conditions provide opportunities for political extremists and revolutionaries. Political violence and terrorism continues in some capitals. In others, military forces provide the most stable and disciplined group.

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Most governments in the hemisphere recognize these problems and are trying to find solutions -- with varying degrees of success. There is an eager striving for both economic progress and social justice. Yet that striving is taking place against heavy odds, and setbacks and discouragement are common.

The upsurge of national efforts to meet pressing internal problems is in part a direct result of rising nationalism. An increasing sense of national identity characterizes every one of the American states. But it is only part of the explanation for their strong desire to overcome internal weakness.

Another component is the fact that pressures for economic development have become so urgent that governments cannot long survive if they ignore the plight of their people. Modern communications have brought the outside world into the most remote areas and made apparent to millions the vast gulf that separates their way of life from that of even an average family in industrially advanced countries. Those millions are no longer content to accept hunger and poverty and injustice as their preordained lot. They are increasingly less patient with governments that fail to produce results quickly. Any government that ignores this broadening demand for progress does so at its own jeopardy.

As a result, new governments have arrived on the scene in many countries with leaders promising to do more for their people. Some have achieved power through the electoral process; others have seized power. Many members of these governments are from the military services. Styles of operation vary from capital to capital. In some cases, there is a tendency to seek support by appealing to xenophobic attitudes and adopting anti-American themes. In the long run, however, performance will count the most in shaping the judgments of the people.

The U.S. Response

It would be an error to ignore the role the United States has played in helping to encourage Latin America's move toward greater self-reliance. For from the Rio Grande to Tierra del Fuego, governments and peoples have come to recognize that the days of relying principally on North America to solve their problems have ended. We and others can help, of course. Indeed, some problems can only be solved with the understanding cooperation of others. But the solutions will require each country's own initiative and imagination and energy. I am convinced that the low-keyed course we have followed over the past four years -- the avoidance of slogans and gimmickry, the emphasis on Latin initiatives -- has helped in an important way to provide the basis for a stronger, healthier, and more realistic relationship among the members of our hemispheric community.

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Accommodation to the diversity of the world community is the keystone of our current policy. That does not diminish our clearly stated preference for free and democratic processes and for governments based thereon. Nor does it weaken our firmly-held conviction that an open economic system and the operation of the market economy are the engines that best generate economic advance. But it does mean that we must be prepared to deal realistically with governments as they are, provided, of course, that they do not endanger security or the general peace of the area.

In Latin America, as in other parts of the world, most of the day-to-day relations of the United States are handled through the bilateral channels of traditional diplomacy. Most of us cannot know how extensive this effort is, how varied, and how time consuming. Cables flow in and out around the clock. A Congressional delegation is visiting here; an American student has been thrown in jail there; a fishing boat has been seized; an investment contract has been signed; an earthquake has leveled half a city. Many of these events never come to the attention of the American public. But our bilateral relations -- and the continuing, intensive contacts, consultations and communications they require -- provide the foundation and the framework of our foreign relations.

Because of the important role they play in so many countries of Latin America, a special word should be devoted to our relations with the military forces of the hemisphere. Those forces represent a key element in almost all Latin American societies, and in many they have assumed national leadership. Because we have recognized their various roles and because of our mutual security interests, we have developed over the years close ties of cooperation and friendship with many of the military leaders of Latin America. We work cooperatively with them in a variety of ways -- combined exercises, conferences, joint mapping ventures. Many of these leaders have attended our advanced training and technical schools. Because of the nature of military organizations, these ties have largely been handled through professional channels.

At one time, the United States was by far the principal source of military equipment for Latin American governments. After World War II, and again after the Korean War, surplus military supplies enabled us to fill most of the hemisphere's needs. But that picture has changed remarkably. We estimate that the governments of Latin America have ordered in the last four years more than \$1.2 billion worth of military equipment from third countries, principally from Britain, France, West Germany, Canada, Italy, and the Netherlands. That is about six times more than they bought from the United States.

There are several possible reasons for this dramatic shift. In some cases, European sellers have provided highly attractive terms of sale. In other cases, the precise equipment wanted was not immediately available from the United

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States but was from Europe. Some countries may have wished to reduce their dependence on the United States and to develop other sources of military supplies. But one important reason for Europe's ascendancy in this field has been the limitations we have imposed on ourselves -- for example, by fixing annual ceilings on sales of military equipment worldwide and in this hemisphere, and by restricting credit for such sales.

What is involved is the requisition by Latin American countries of relatively modest amounts of equipment for replacement of materiel and for modernization. Our hopes that by unilaterally restricting sales we could discourage our Latin neighbors from diverting money to military equipment and away from development needs have proved unrealistic. And the cost to us has been considerable: in friction with Latin American governments because of our paternalism, and in valuable military relationships which, in turn, provide an important channel for communication across a wide spectrum and influence our total relationships. The domestic costs are also high: in lost employment for our workers, lost profits for business, and loss of balance of payments advantages for our nation.

The Inter-American System

Beyond our purely bilateral relations, there are important institutions and forums in which several or all of the states of the Americas are associated. And for some of these institutions, a moment of truth has arrived.

In 1822, the United States established diplomatic relations with Colombia. We thus became the first nation outside Latin America to recognize the independence and sovereignty of a Latin American state. Over the ensuing 150 years, formal and informal bonds linking the nations of the Western Hemisphere have expanded and grown strong. Gradually, machinery was developed to provide for increasing cooperation and consultation in this family of nations. It makes up what is called the inter-American system. It has been said that if this machinery had not existed, we would have been forced to invent it. But it does exist -- in the Rio Treaty; in the Inter-American Development Bank; in the Organization of American States and its associated bodies, including the Economic and Social Council, the Council for Science, Education and Culture; and in the many other groups and organizations through which we work together.

The question now facing us is not whether these organizations have served useful purposes in the past, but whether they are organized to best serve the current interests of the Americas.

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In a thoughtful discussion I had not long ago with Dr. Carlos Sanz de Santamaria, the distinguished Latin American diplomat and economist, he argued that, "The time is ripe to begin developing new forms of hemispheric cooperation." He suggested: "We should identify the many areas in which the best interests of Latin America and the United States converge. Our joint interests in improving the quality of life everywhere in this hemisphere are overriding. They far surpass the issues that have brought about confrontation in recent years or have led many to focus on the divergent interests of Latin America and the United States."

I agree. There has been an unfortunate tendency among some governments, in some organizations, to make forums for cooperation into arenas of confrontation. This phenomenon was evident at the recent meeting of the UN Security Council in Panama. There has also been a tendency to develop Latin American positions -- often on a lowest-common-denominator basis -- which fail to take realistic account of viewpoints strongly held by the United States. These efforts tend to provoke reactions contrary to those sought. We must recognize the dangers inherent in such an approach.

We should not deal with important questions in an emotional mood or react out of pique or frustration. The kind of mature partnership we all seek calls for calm reflection and a reasonable exchange of views. In my message to the recent OAS General Assembly, I noted: "That kind of partnership implies that there are common goals to which we aspire. It implies a trust and confidence in one another. It implies that we can attain our goals more effectively by pursuing them more cooperatively. Above all, it implies that we consider interdependence an essential ingredient in the life of our hemisphere."

For our part, we shall actively support and participate in the review of ways in which we can most effectively achieve political cooperation and economic and social development in this hemisphere. This process has begun -- at the meeting of the Inter-American Economic and Social Council in Bogota in February 1973 and, most importantly, at the General Assembly of the OAS in April. It is our hope that this process of careful review will produce stronger and more effective ways to identify and advance our common interests in the final quarter of the 20th Century.

Any discussion of the inter-American system raises the question of Cuba. We are asked: if it is desirable to seek reconciliation with countries like the People's Republic of China and the Soviet Union, why do we not seek the same with Cuba? In fact, the situations are quite different. I have dealt with our relations with Peking and Moscow elsewhere in this Report. As for Cuba, our policy strongly supports decisions taken after careful study by the overwhelming majority of members of the Organization of American States. Those decisions were based on the conclusion that Cuba's active encouragement and support for the subversion of legitimate governments in the hemisphere represented a threat to peace and security in this part of the world.

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Havana's rhetoric in support of violent revolution has diminished somewhat, and it is selecting its targets for subversion with greater care. But extremists and revolutionaries from many Latin American countries are still being trained in Cuba today in the techniques of guerrilla war, in sabotage, and subversion. Those trained agents and saboteurs are then returned to their home countries, or to neighboring countries, to carry out violence against established governments. Money and arms flow from Cuba to underground groups in some countries. This activity continues to threaten the stability of our hemisphere.

A second reason for concern is that Cuba became the first member of the American family to welcome into the hemisphere the armed power of a non-American state. That action created, among other things, the Cuban missile crisis of 1962. And there is no evidence that Havana's military ties with Moscow have markedly changed.

One final consideration: one obvious way to undercut the prestige and effectiveness of any international body is for individual members to act alone contrary to joint decisions. We have assured fellow members of the OAS that the United States will not act unilaterally in this matter. We will consider a change in policy toward Cuba when Cuba changes its policy toward the other countries of the hemisphere. But in considering any change, we shall act in concert with our fellow members of the OAS.

The Economic Climate

We have considered some of the political forces at work in the hemisphere. It is equally important to look at economic developments. These underscore both the progress that has been made as well as the profound problems that beg for early solution.

Economic growth in Latin America as a whole continued at a healthy pace last year, possibly exceeding the 6.3 percent rate achieved in 1971. On the other side of the ledger, the area's high rate of population increase -- nearly three percent overall -- added millions of new mouths to feed and cut per capita income growth to less than four percent. Nevertheless, this was still well above the 2.5 percent set as a goal for the hemisphere in the early 1960's.

The most impressive economic growth was achieved in the largest country of the area, Brazil, where the GNP is estimated to be more than 10 percent above the 1971 level. Mexico's economy advanced substantially, with exports reaching \$1.8 billion last year, up almost 23 percent over 1971. Argentina's trade also grew after a disastrous trade deficit in 1971. Colombia cut its trade deficit in half and exports were at record high levels. Venezuela enjoyed its usual healthy trade surplus.

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In most of the countries of the hemisphere, however, inflation continued to eat away at the fruits of economic growth. Some governments were willing to take the stern financial and economic measures needed to bring it under control. Those that did not -- or that were guided by political rather than economic motives -- watched prices and wages spiral upward and living standards decline. Once-prosperous Chile saw its inflation rate reach an estimated 180 percent, accompanied by shortages of food and consumer goods.

Foreign trade, an essential ingredient of economic development, enjoyed a healthy expansion in Latin America as a whole. In 1972, Latin American exports to the United States rose to \$6.2 billion, 18 percent more than in 1971. Trade with Europe and Asia also expanded. Over the past two years, Latin America's foreign exchange reserves have increased by more than \$2 billion, to \$8.9 billion by the end of 1972.

The United States remains determined to improve our own trading relations with Latin America because we recognize that growing trade is good for all concerned. As Latin American economies develop, they become an increasingly important market for U.S. goods -- for everything from wheat to tractors to computers. And a steadily expanding U.S. economy can absorb a growing volume of Latin America's products, not only of raw materials but increasingly of component parts, semi-processed goods, and finished manufactured products. To encourage this trade, we have introduced legislation to provide preferential access to the U.S. market for products of developing countries. Surely this most prosperous of all nations should do no less in extending the hand of cooperation to our neighbors in this hemisphere and to others in the developing world.

Meanwhile, approaching worldwide trade negotiations place our bilateral and regional trading problems in the Western Hemisphere in a larger context. Our initiatives in pressing for these new negotiations received welcome support from most of our Latin American trading partners. Members of the General Agreement on Tariffs and Trade, at their meetings in Geneva in late 1972, paid considerable attention to the concerns of developing countries. To deal with these and other matters, the members organized a Preparatory Committee to develop procedures for the coming negotiations. Membership in that committee is open, not only to GATT Contracting Parties, but to all developing countries who want to take part.

Major steps are also being taken in the monetary and financial areas that will alter greatly the international economic system. The annual meetings of the World Bank and International Monetary Fund last September were landmark events in the world of international finance. The Committee of Twenty has been established under the IMF, with three of its members from Latin America, to develop new and more workable mechanisms for the world's monetary relationships.

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While production, trade, and foreign exchange reserves have increased substantially, serious economic and social problems continue to beset many of the nearly 300 million inhabitants of Central and South America and the Caribbean. The gross national product of the region averaged close to \$600 per person over the last two years. But about one-half of the people have a per capita income of less than \$250, and for one-fifth of the people the figure is less than \$150. In most countries there is only one doctor for every 2,000 or 3,000 people and life expectancy is 50 years or less in half a dozen countries. High rates of illiteracy in much of Latin America represent a huge social deficit, virtually eliminating all hope for progress among millions of people.

The U.S. Response

The United States cannot solve these great social and economic problems, nor can the world community. The initiative must come from the peoples and governments concerned. But we are helping, and we will continue to do so. In fiscal year 1972, United States bilateral assistance to Latin America and the Caribbean amounted to \$338 million. We provided an additional \$103 million under the Food for Peace program. Our Export-Import Bank extended long-term loans of more than \$500 million to help fund important development programs.

This direct assistance is designed to meet specific needs that can best be handled on a bilateral basis. Nevertheless, we have long realized that bilateral aid is often a cause of friction between governments and the target of local criticism, however biased and unfair. Extreme leftist critics regularly attack their governments for accepting U.S. aid and thereby becoming "puppets." Obviously, no country is obliged to accept aid. But in an atmosphere of increasing nationalism, we recognize that such allegations, however unfounded, have political and emotional impact.

To meet this problem, we have deliberately worked to balance our economic assistance efforts between bilateral programs and cooperative efforts through multinational organizations. In the mid-1960's, roughly two-thirds of our aid to Latin America was bilateral. Today, the proportion has been reversed and two-thirds of our aid flows through multinational organizations such as the Inter-American Development Bank, the World Bank, and the United Nations Development Program.

These multinational programs have several advantages. It is politically easier for a country to accept assistance from an international bank or other organization than from one country. And international organizations can impose strict conditions for loans on economic grounds without opening the door to charges of political "meddling."

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It is regrettable that U.S. contributions to the Inter-American Development Bank (IDB) have lagged in the past year. The Administration will make a strong effort to persuade the Congress to correct this deficiency and provide the necessary appropriations to meet our pledge. The continued effective functioning of the IDB will hinge in large part on the full cooperation of the United States.

Our firm support for economic development in the Western Hemisphere is good politics and good economics. We live with other nations of the hemisphere in one neighborhood. And no neighborhood is a very healthy place if many of its people are living daily with poverty, disease, and frustration. People forced to live at the fringe of survival cannot produce the goods the human family needs, master the technology that makes progress achievable, or buy the products of other people's labor. They cannot become full partners in the 20th Century.

Economic development is a product of many forces. The most critical factor is the most obvious -- what a people and their government are prepared and able to do for themselves. Trade is another essential element for healthy growth. Beyond that, direct bilateral assistance and multilateral funding can provide the capital and technological expertise for success. But there is a fourth element in successful development, often underestimated and more often misunderstood, and that is private investment.

Foreign investment can provide a highly efficient and effective channel for the flow of modern technology, which is so sorely needed by developing countries. It can broaden production and employment. More than that, inflows of foreign capital help to stimulate the mobilization of local capital for development tasks. As one looks at the record of economic growth among developed and developing countries alike over the past two or three decades, it is not accidental that the most rapid growth has occurred in countries that provided a healthy climate for private investment.

There is, of course, a legitimate concern about specific forms of foreign investment and the terms under which foreign businesses operate. Every country, whether underdeveloped or advanced, imposes restrictions on types and levels of external involvement in its economy. These restrictions can and should be worked out in ways that protect the legitimate interests of both investors and recipients.

The evident economic advantages of sound foreign investment responsibly adapted to the needs of developing countries have not been effectively explained to most local publics. Increasingly, foreign investment has become the special

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target of extreme nationalists and leftist politicians. In some cases, governments have tried to use foreign companies as political lightning rods or as scapegoats for their own shortcomings.

These factors -- nationalism, ideological hostility, and the search for scapegoats -- have led some governments to seize foreign assets and to cancel the contracts under which foreign companies were operating. Under international law, any sovereign government has a right to expropriate property for public purposes. But that same international law requires adequate and prompt compensation for the investors or owners.

Moreover, one can fairly question, on economic grounds alone, the wisdom of many such seizures. It is not uncommon for a foreign company, although it is providing considerable local employment and paying sizable taxes, to be seized, only to have the successor enterprise run by the government, provide less production and smaller income for the state. Financial resources often required to subsidize the operation of seized properties and to maintain inflated payrolls could be used much more beneficially for other, badly needed local investment.

Expropriations, even when there is fair compensation, can create deep concern among those whose resources developing countries wish to attract -- commercial banks, international lending institutions, private investors. Such actions tend to dry up sources of investment for other purposes.

All these factors -- the legitimate protection of American businesses abroad, the requirements of international law, the preservation of a reasonable and mutually beneficial atmosphere for foreign investment -- led us in early 1972 to define our policy toward expropriations. We have made it clear that if an American firm were seized without reasonable efforts to make effective payment, we would provide no new bilateral economic assistance to the expropriating country. We would consider exceptions only if there were overriding humanitarian concerns or other major factors involving our larger interests. Nor would we support applications for loans by such countries in international development institutions.

The book value of U.S. investments in Latin America has risen to more than \$16 billion. But our Latin American friends point out that the rate of growth of U.S. investment has been less in their countries than in Europe and Asia. The difference is accounted for in part, perhaps decisively, by the judgment investors make regarding the relative welcome their investments will receive.

Changes in attitudes toward investment will take time. But we believe these changes are underway in most parts of the hemisphere, in the private as well as the public sector. We are moving toward a better understanding that

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private investments, properly managed, operating under reasonable conditions, and sensitive to the needs and aspirations of the societies in which they function, can be mutually advantageous to investors and recipients.

Current Problems

In October 1969, I said that our policy toward Latin America would be based on five principles:

- firm commitment to the inter-American system;
- respect for national identity and national dignity;
- continued U.S. assistance to economic development;
- belief that this assistance should take the form of U.S. support for Latin American initiatives and should be extended primarily on a multilateral basis;
- dedication to improving the quality of life in the New World.

Those principles remain as valid today as when I first stated them. In candor, however, we must admit that our performance has not always been fully what we and our friends may have wished. I believe we can do better in our second term. I am determined that we shall do better. We owe it to those who created and passed along the unique inter-American system. We should leave to those who will inherit our works a structure of peaceful cooperation more effective than the one we found.

A number of bilateral and multilateral problems call for urgent attention. If we can solve them, or at least move toward their solution, we can create a new and positive atmosphere in our hemisphere.

The single most important irritant in relations with our nearest Latin neighbor, Mexico, is the high salinity of the waters of the Colorado River diverted to Mexico under our 1944 Water Treaty. I discussed this matter with President Echeverria last June. My personal representative, former Attorney General Herbert Brownell, has been working intensively on this problem and has made his recommendations to me. We shall soon be presenting our Mexican neighbors with what I hope will be a permanent, definitive, and just solution. With mutual understanding and common efforts, I believe this problem can be removed from the agenda of outstanding issues.

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Another serious problem, of deep concern to every responsible government, is the illegal flow of narcotics across national boundaries. Some of these drugs are produced in the Western Hemisphere. And some Latin American countries have been used by international drug traffickers as a channel for drugs from Europe, the Middle East, and Asia into this hemisphere and on to the United States.

Over the past year, we and many Latin American governments have made intensive efforts to restrict this dangerous flow. Our common effort has taken a variety of forms: special training for customs and immigration agents; improved equipment ranging from two-way radios to helicopters; exchanges of intelligence data; tightened anti-drug laws; extradition treaties, and others. It is vitally important that we press forward with the campaign to destroy this dangerous traffic which menaces us all, especially our young.

Another international issue that confronts the Americas, as well as the rest of the world community, concerns the law of the sea. Every country, whether or not it touches on an international body of water, is affected. The problems include: the extent to which any nation can claim adjoining waters as its territorial sea; the proper limit on each nation's control over the resources in and under the sea; guarantees of the rights of free passage through international straits and of other navigational freedoms; the preservation of the marine environment; and the status of traditional high seas freedoms. Resolution of these and many related questions are of profound importance to all nations. Political, economic, and security interests of the highest sensitivity will have to be considered.

An international conference on the law of the sea will soon be convened to consider and solve these complicated problems. We know it will not be easy. But we know, too, that an effective agreement that deals equitably with the vital concerns of all nations would be a landmark in international affairs.

In the Americas, maritime disputes have centered on the question of fishing rights in waters which we consider to be beyond the limits of national jurisdiction which a state may claim under international law, but which some of our neighbors claim as their territorial seas or exclusive resource zones. These differences have sometimes led to confrontations, including the seizure of U.S. fishing boats and the imposition of heavy fines. Neither party to this kind of dispute enjoys any real benefit. Indeed, both suffer because of the resulting exacerbation of political, economic, and security relations.

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The real point is not fishing rights or retaliation. Rather it is: what rules shall govern the use of the oceans? If countries make unilateral claims over ocean space absent international agreement, conflict over uses of the area and its resources are inevitable. We believe that the Law of the Sea Conference provides the appropriate forum for resolving outstanding law of the sea problems. We intend to work with the Latin Americans and all other nations toward achieving a timely and successful conference.

Another important unresolved problem concerns the Panama Canal and the surrounding Zone. U.S. operation of the Canal and our presence in Panama are governed by the terms of a treaty drafted in 1903. The world has changed radically during the 70 years this treaty has been in effect. Latin America has changed. Panama has changed. And the terms of our relationship should reflect those changes in a reasonable way.

For the past nine years, efforts to work out a new treaty acceptable to both parties have failed. That failure has put considerable strain on our relations with Panama. It is time for both parties to take a fresh look at this problem and to develop a new relationship between us -- one that will guarantee continued effective operation of the Canal while meeting Panama's legitimate aspirations.

Looking to the Future

I intend to underscore our deep interest in Latin America is through expanded personal involvement. Last year, I emphasized my concern by sending two personal representatives, former Secretary of the Treasury Connally and Federal Reserve Chairman Burns, to a number of countries in Latin America. The detailed and perceptive reports I received from these special envoys helped to keep me abreast of current problems and developments. This year, I will be consulting with my fellow presidents in the hemisphere and with other knowledgeable Latin Americans on our future course. I have asked Secretary of State Rogers to visit Latin America to convey our intention to continue to work closely with our neighbors. And I plan to make at least one visit to Latin America this year.

At the same time, I hope Members of the Congress will travel to the area and see what is happening in this part of the world. Such visits could produce new insights into the complex problems we and our neighbors confront. They would provide an awareness of what able and dedicated Americans are doing in those countries. And it would create a base of knowledge from which understanding legislative action might come.

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I urge the Congress to take a new and thorough look at existing legislation that affects our relations with Latin America. We need to study, for example, whether various legislative restrictions serve the purposes for which they were designed. Do they deter other governments from various actions, such as seizing fishing boats? Or do they merely make the solution of such problems more difficult? I believe some current restrictions are entirely too rigid and deprive us of the flexibility we need to work out mutually beneficial solutions.

Similarly, we should inquire whether current limitations on military equipment sales serve our interests and whether they promote or weaken our cooperation with Latin America. I believe our unilateral efforts to restrict arms sales have helped contribute to the rise of nationalist feelings and to the growing resentment against remnants of U.S. paternalism. The irritation thus aroused helps explain at least some of our problems in other matters. I urge the Congress to take a hard look at this problem and to take steps to rectify past errors. For I think we have been hurting ourselves more than anyone else by insisting on such limitations, and harming our relations with Latin America in the process.

I noted earlier the problem of modernizing the machinery of cooperation and consultation in the inter-American system. This process has now begun. We look forward to working with Latin America to make the inter-American system more responsive to modern needs. This will require imagination and initiative from all concerned. It also calls for a hard-headed assessment of existing institutions. Are they effective? Are they doing what is most needed? Are they accurately defining the most urgent needs? In prescribing actions, do they take into full account the material, political, and psychological limitations under which all governments must function? I have instructed my advisors to give this matter close attention in the months ahead, and I feel confident that other heads of government will do the same. By focusing on the many areas in which the best interests of Latin America and the United States converge, we can begin a new and promising phase of hemispheric cooperation.

Over the next four years, the United States will be heavily engaged in giving substance to the new world order that now is taking shape. High on the agenda will be problems of world trade and of strengthening the international monetary system. These matters will be of special concern to Latin America as it continues to expand its exports outside the hemisphere. Because we recognized this interest, we strongly supported the inclusion of three Latin American governments in the Committee of Twenty that is considering monetary reform. As we move into this period of intensive trade and monetary negotiations, it will be to our mutual advantage if the United States and neighboring governments

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work closely together on these issues. We have many shared interests in assuring an expansion of world trade and in preventing the rise of restrictive trading blocs which would inhibit the growth of U.S. and Latin American commerce. We therefore plan to undertake intensive consultation with Latin American governments and representatives -- in the OAS and its organs, the Inter-American Development Bank, the International Monetary Fund, GATT, and other appropriate bodies. The process of hemispheric cooperation can be strengthened as we confront these difficult issues together.

Over the next four years, we will also continue our assistance efforts -- through bilateral and multilateral channels -- to help improve the quality of life of all the people of this hemisphere.

As we move toward the end of our first 200 years as a nation -- and toward the end of a troubled century -- we face many exciting challenges. They will require the best that is in us. But we now have a framework for peaceful cooperation on which to build. And as we build, the lives and health and happiness of the hundreds of millions of people living in Latin America will be in the forefront of our concern.

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PART IV
REGIONS OF TENSION AND OPPORTUNITY

Middle East

South Asia

Africa

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THE MIDDLE EAST

Peace in the Middle East is central to the global structure of peace. Strategically, the Middle East is a point where interests of the major powers converge. It is a reservoir of energy resources on which much of the world depends. Politically, it is a region of diversity, dynamism, and turmoil, rent by national, social, and ideological division -- and of course by the Arab-Israeli conflict. Two world wars and the rising tide of nationalism have broken down the pre-1914 order; but new patterns of stability have not yet been established. Modern quarrels have compounded long-standing ones. Because of the area's strategic importance, outside powers have continued to involve themselves, often competitively. Several times since World War II, the Middle East has been an arena of major crisis.

The irony is that the Middle East also has such great potential for progress and peaceful development. Of all the regions of the developing world, the Middle East, because of its wealth, is uniquely not dependent on the heavy infusion of capital resources from outside. Its wealthier nations have been willing and able to provide the capital for their own development and have begun to assist their neighbors' development. Mechanisms of regional self-reliance and cooperation are already functioning. The yearning for unity is strong within the Arab world; it has deep historical and cultural roots and its positive thrust has found new expression in these cooperative enterprises.

The region's drive for self-reliance matches the philosophy of United States foreign policy in a new era. Technical assistance and the provision of skills, now the most relevant forms of external aid in much of the Middle East, are forms of aid which the United States is uniquely capable of providing and can sustain over a long term. The United States has long been a champion of the region's independence from colonial or other external domination. In conditions of peace, there is a natural community of interest between the United States and all the nations of the Middle East -- an interest in the region's progress, stability, and independence.

The requirements of peace in the Middle East are not hard to define in principle. It requires basic decisions by the countries of the Middle East to pursue political solutions and coexist with one another. Outside powers with interests in the area must accept their responsibility for restraint and for helping to mitigate tensions rather than exploiting them for their own advantage.

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These are principles which the United States has sought to engage the other great powers in observing. Coexistence, negotiated solutions, avoiding the use or threat of force, great power restraint, noninterference, respect for the sovereignty and territorial integrity of states, renunciation of hegemony or unilateral advantage -- these are the principles of the Shanghai Communique of February 1972 and the Basic Principles of U.S.-Soviet Relations of May 1972. They are not new principles; every member state of the United Nations has subscribed to their essential elements. The UN Security Council in passing Resolution 242 on November 22, 1967, envisioned a settlement of the Arab-Israeli dispute that would be consistent with them -- a settlement which would include "withdrawal of Israeli armed forces from territories occupied in the recent conflict, termination of all claims or states of belligerency and respect for and acknowledgement of the sovereignty, territorial integrity and political independence of every state in the area and their right to live in peace within secure and recognized boundaries free from threats or acts of force."

A commitment to such principles by the outside powers is itself a contribution to the framework for peace in the Middle East. A similar commitment by the principal countries directly involved, concretely expressed in processes of negotiation, is essential.

The Arab-Israeli Conflict

The focus of attention in the Middle East has been the prolonged crisis of the Arab-Israeli conflict and the persistent efforts to resolve it.

In my first Foreign Policy Report three years ago, I pointed out the serious elements of intractability that marked this conflict. It was a dispute in which each side saw vital interests at stake that could not be compromised. To Israel, the issue was survival. The physical security provided by the territories it occupied in 1967 seemed a better safeguard than Arab commitments to live in peace in exchange for return of all those territories -- commitments whose reliability could be fully tested only after Israel had withdrawn. To the Arabs, negotiating new borders directly with Israel, as the latter wished, while Israel occupied Arab lands and while Palestinian aspirations went unfulfilled, seemed incompatible with justice and with the sovereignty of Arab nations. A powerful legacy of mutual fear and mistrust had to be overcome. Until that was done no compromise formula for settlement was acceptable to either side. To the major powers outside, important interests and relationships were at stake which drew them into positions of confrontation.

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The problem remains. For this very reason, I have said that no other crisis area of the world has greater importance or higher priority for the United States in the second term of my Administration. At the beginning of this year I met personally with Jordan's King Hussein, Egyptian Presidential Adviser Hafiz Ismail, and Israeli Prime Minister Meir to renew explorations for a solution.

The United States has no illusions. Instant peace in the Middle East is a dream -- yet the absence of progress toward a settlement means an ever-present risk of wider war, and a steady deterioration of the prospects for regional stability and for constructive relations between the countries of the area and the world outside. Arab-Israeli reconciliation may seem impossible -- but in many areas of the world, accommodations not fully satisfactory to either side have eased the intensity of conflict and provided an additional measure of security to both sides. Peace cannot be imposed from outside -- but I am convinced that a settlement in the Middle East is in the national interest of the United States and that for us to abandon the quest for a settlement would be inconsistent with our responsibility as a great power.

The issue for the United States, therefore, is not the desirability of an Arab-Israeli settlement, but how it can be achieved. The issue is not whether the United States will be involved in the effort to achieve it, but how the United States can be involved usefully and effectively.

The Last Four Years. Over the last four years, the United States has taken a series of initiatives and explored a variety of approaches to promoting a negotiating process. The effort has resulted in restoration of the ceasefire along the Suez Canal. It has also provided sharp definition of the issues and basic negotiating positions of the parties and a measure of realism on all sides. However, we have not succeeded in establishing a negotiating process between the parties or in achieving any substantive agreement concrete enough to break the impasse.

In 1969, starting from Resolution 242, four permanent members of the Security Council, and the United States and Soviet Union in particular, began to discuss a framework for an Arab-Israeli settlement in order to explore how the outside powers might usefully relate to the process of settlement. Their approaches differed, but the discussions illuminated the issues that divided them. By late 1969 and early 1970, significant further progress seemed unlikely for the time being.

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In the summer of 1970, with the Four Power discussions stalemated and the military conflict along the Suez Canal escalating sharply with the active participation of Soviet air and air defense units, the United States launched a major initiative to reestablish the ceasefire and to start negotiations. The firing stopped on August 7, but the start of negotiations was delayed by the violation in Egypt of a related military standstill agreement. A month later the authority of the Government of Jordan was challenged by the Palestinian guerrillas and an invasion from Syria. The challenge was put down, and the return of stability enhanced the ability of the Jordanian government to address the question of peace.

Early in 1971, Ambassador Jarring, the special representative of the UN Secretary General, began discussions with Israel and Egypt to try to promote agreement between the parties in accordance with his mandate under Resolution 242. When this effort lost momentum by the end of February 1971, attention shifted to the possibility of a step-by-step approach to peace, beginning with a limited pullback of Israeli troops from the Suez Canal and the opening of the Canal. At the request of Egypt and Israel, Secretary Rogers explored this approach. Talks to this end, which occupied most of the summer and fall, tried to grapple with these basic issues: the relationship of such an interim agreement to an overall peace agreement; the distance of the limited Israeli withdrawal; the nature of the Egyptian presence in the evacuated territory; the timing of Israel's use of the Canal; and the duration of the ceasefire. In late 1971 and early 1972, the United States sought, again without success, to initiate indirect negotiations under its aegis between Egypt and Israel on an interim agreement.

In 1972, attention again focused on the relationship of the United States and the Soviet Union to the Middle East problem. At the Moscow Summit in May both sides reviewed their positions and reaffirmed their readiness to play a part in bringing about a settlement based on Resolution 242. The United States emphasized that a genuine negotiating process between the nations in the area was essential. The danger of inadvertent great power confrontation over the Middle East was reduced by the Moscow Summit, and also by a decision by the Government of Egypt in July to request the withdrawal of most Soviet military personnel from Egypt.

American policy has sought in other ways to promote stability in the Middle East and to preserve the possibility of solution by negotiation rather than by force of arms. During the September 1970 crisis in Jordan, the United States acted firmly to deter a wider war and dampen a dangerous situation. Throughout the period, this Administration continued its established policy of maintaining

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a military balance in the Middle East. I have said many times that an arms balance is essential to stability in that area -- but that it alone cannot bring peace. The search for a negotiated settlement must continue.

The ceasefire reestablished in 1970 at American initiative continues to this day, and remains essential to any hope for a peaceful settlement of the Arab-Israeli conflict. The cessation of organized fighting has not only saved hundreds and perhaps thousands of lives; it has also preserved a climate that would permit negotiation. But the ceasefire will necessarily remain uneasy unless the hope for peace can be sustained by active negotiations.

A serious threat to the ceasefire and to the prospects for any political solution is the bitterness engendered by the mounting spiral of terrorism and reprisal. Terrorist acts took on a new and horrible dimension last year with the shootings at Israel's Lod Airport in the spring where a number of Americans lost their lives, and the murder of Israeli athletes at the Munich Olympics in September. This was followed during the fall by a series of Israeli attacks on Lebanese and Syrian military installations as well as on Palestinian guerrilla bases in Lebanon and Syria. A Libyan civilian airliner was downed by Israeli aircraft while straying over the Sinai in February 1973. The following month, terrorists murdered two American diplomats and a Belgian diplomat held hostage in Khartoum. In April 1973, terrorists attacked Israeli targets in Cyprus, and Israel attacked headquarters and installations of fedayeen organizations in and around Beirut, killing three prominent Palestinian militants.

International terrorism is not exclusively an Arab-Israeli problem; it is an international problem, which the United States has made a major international effort to combat. But a generation of frustration among displaced Palestinians has made the Middle East a particular focal point for such violence.

The Situation Today. America's objective in the Middle East is still to help move the Arab-Israeli dispute from confrontation to negotiation and then toward conditions of peace as envisioned in UN Security Council Resolution 242.

But a solution cannot be imposed by the outside powers on unwilling governments. If we tried, the parties would feel no stake in observing its terms, and the outside powers would be engaged indefinitely in enforcing them. A solution can last only if parties commit themselves to it directly. Serious negotiation will be possible, however, only if a decision is made on each side that the issues must be finally resolved by a negotiated settlement rather than by the weight or threat of force. This is more than a decision on the mechanics of negotiation; it

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is a decision that peace is worth compromise. It should be possible to enter such negotiations without expecting to settle all differences at once, without preconditions, and without conceding principles of honor or justice.

Two negotiating tracks have been discussed. One is Ambassador Jarring's effort to help the parties reach agreement on an overall peace settlement. The second is the offer of the United States to help get talks started on an interim agreement as a first step to facilitate negotiations on an overall settlement.

A persistent impasse, which is substantive as well as procedural, has blocked both of these approaches. It is rooted primarily in the opposing positions of the two sides on the issue of the territories. Israel has insisted that its borders should be the subject of negotiations and that substantial changes in the pre-1967 lines are necessary. Egypt, while stating its readiness to enter into a peace agreement with Israel, has insisted that before it could enter negotiations, even on an interim agreement, Israel must commit itself to withdraw to the pre-1967 lines. Jordan has also made clear its commitment to a peaceful settlement with Israel, but insists on the return of the occupied West Bank without substantial border changes and on restoration of a sovereign position in the Arab part of Jerusalem.

Recognizing the difficulty of breaking the impasse in one negotiating step -- of reconciling Arab concern for sovereignty with Israeli concern for security -- the United States has favored trying to achieve agreement first on an interim step. Since both Egypt and Israel asked us in 1971 to help them negotiate such an interim agreement, we proposed indirect talks between representatives of the two sides brought together at the same location. In February 1972, Israel agreed to enter talks on this basis; Egypt has expressed reservations about any negotiations in the absence of prior Israeli commitment to total withdrawal from Sinai in an overall settlement.

The dilemmas are evident. Egypt's willingness to take new steps, for example, is inhibited by the fear that further concessions could erode the principle of sovereignty without assuring that Israel is interested in reaching agreement or will make appropriate concessions in return. Israel's incentive to be forthcoming depends on a difficult basic judgment whether its giving up the physical buffer of territory would be compensated by less tangible assurances of its security -- such as Arab peace commitments, demilitarization and other security arrangements, external guarantees, and a transformed and hopefully more secure political environment in the Middle East. Urging flexibility on both parties in the abstract seems futile. Neither appears willing, without assurance of a satisfactory quid pro quo, to offer specific modifications of basic positions sufficient to get a concrete negotiating process started.

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A step-by-step approach still seems most practical, but we fully recognize that one step by itself cannot bring peace. First, there is a relationship between any initial step toward peace and steps which are to follow toward a broader settlement. We are open-minded on how that relationship might be established in a negotiating process, and on what role the United States might play. But the relationship cannot be ignored. Second, all important aspects of the Arab-Israeli conflict must be addressed at some stage, including the legitimate interests of the Palestinians. Implementation can occur in stages, and it should not be precluded that some issues and disputes could be resolved on a priority basis. But a comprehensive settlement must cover all the parties and all the major issues.

The issues are formidable, interlinked, and laden with emotion. The solutions cannot be found in general principles alone, but must be embodied in concrete negotiated arrangements. The parties will not be tricked into compromise positions by artful procedures. But there is room for accommodation and an overwhelming necessity to seek it.

The Interests and Responsibilities of the Major Powers

Too often in recent history, Middle East turbulence has been compounded by the involvement of outside powers. This is an ever-present danger. Our efforts with other major powers to move from an era of confrontation to an era of negotiation have addressed this problem directly.

The nations of the Middle East have the right to determine their own relationships with the major powers. They will do so according to their own judgment of their own requirements. The United States has no desire to block or interfere with political ties freely developed between Middle East countries and other major nations in the world. We have our close ties with Israel, which we value, and we also have a strong interest in preserving and developing our ties with the Arab world. Other powers have the same right. But attempts at exclusion or predominance are an invitation to conflict, either local or global.

The first dimension of the problem is, of course, the direct involvement of the great powers in the Arab-Israeli conflict. A significant Soviet presence and substantial Soviet military aid continue in the area. The Soviet Union signed a friendship treaty with Iraq in April 1972. New shipments of Soviet military equipment have now been concentrated in Syria, Iraq, and the People's Democratic Republic of Yemen. The significant factor is whether the Soviet presence is paralleled by a Soviet interest in promoting peaceful solutions. The major powers have a continuing obligation to refrain from steps which will raise again the danger of their direct engagement in military conflict.

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The danger of immediate U.S.-Soviet confrontation, a source of grave concern in 1970 and 1971, is at the moment reduced. The Moscow Summit and the agreement on the Basic Principles of our relations contributed to this, not only for the present but also for the longer term. Neither side at the summit had any illusions that we could resolve the Arab-Israeli conflict, but there was agreement that we could keep it from becoming a source of conflict between us. The United States has no interest in excluding the Soviet Union from contributing to a Middle East settlement or from playing a significant role there. In fact, at the summit we agreed that we each had an obligation to help promote a settlement in accordance with Resolution 242.

The responsibilities and interests of the major powers in the Middle East go beyond the Arab-Israeli dispute. There are extensive political and economic ties between the countries of the region and the outside world. Here, too, there is a world interest in not allowing competitive interests to interfere with a stable evolution.

The United States considers it a principal objective to rebuild its political relations with those Arab states with whom we enjoyed good relations for most of the postwar period but which broke relations with us in 1967. We were able to restore diplomatic relations with the Yemen Arab Republic at the time of Secretary of State Rogers' visit there in July 1972; reestablishment of ties with Sudan followed shortly thereafter. We assigned two American diplomats to the interests section in Baghdad, Iraq, in 1972. We have just concluded an agreement with Algeria on a major project for the import of Algerian liquefied natural gas. The United States is prepared for normal bilateral relations with all the nations of the Middle East.

The European Community is also expanding and consolidating direct ties with many nations of the Middle East and North Africa. This is a natural development; it builds on historical relationships and the economic advantages of geography. It gives these nations a greater stake in relations with the West. It gives the Western European countries an important role in maintaining the structure of peace beyond Europe. We are concerned, however, that as these relations evolve they not embody discriminatory arrangements which adversely affect our trade and that of other countries.

Economic competition in the Middle East between the United States and other free world nations could be particularly damaging in the critical area of energy. The traditional relationship between suppliers and consumers of energy has radically, and probably irrevocably, changed. In the Persian Gulf, where

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about two-thirds of the world's known oil reserves are located, Arab oil-producing countries have joined to reorder their relations with the international oil industry and the consumer countries. Iran has taken over operation of the companies working there. Our own requirements for Persian Gulf oil have been small -- about ten percent of our total oil imports -- but they will rise as U.S. energy demand expands. Assurance of the continuing flow of Middle East energy resources is increasingly important for the United States, Western Europe, and Japan. This should be addressed as a common interest.

As for the relations between producer and consumer nations, here too we believe there is a shared interest. We both stand to gain from a stable and reliable economic relationship, ensuring revenues for them and energy resources for us. Oil revenues paid to Persian Gulf states have trebled in the last five years, financing their economic development and providing an expanding market for us. Their rapidly growing foreign exchange reserves give them increasing weight -- and an increasing stake -- in the international monetary system. We share these countries' desire to find arrangements which enhance the region's prosperity while assuring an effective means for meeting the world's demand for energy.

The Regional Framework

Stability in the Middle East does not depend only on Arab-Israeli peace and stable relationships with and among the great powers. Personal rivalries, ideological conflict, territorial disputes, economic competition, religious and ethnic divisions are indigenous sources of turmoil which exacerbate -- and are in turn exacerbated by -- these other tensions. Stability therefore depends also on strengthening regional forces for cooperation and collaboration.

At the end of 1971, the nations of the Persian Gulf passed through a critical transition, with the termination of the century-old protective relationship between Great Britain and the nine Arab Emirates of the lower Gulf. Considering the number of states involved and the diversity of political and economic conditions, the transition of this area to independence has been remarkably smooth. The Emirates have developed new political ties among themselves and assumed responsibility for their own security and destiny. Some territorial disputes and rivalries remain, but these have not been allowed to undermine their perceived common interest in unity and stability. Two of the largest Gulf states, Iran and Saudi Arabia, have undertaken greater responsibility for helping to enhance the area's stability and for ensuring that the destiny of the Gulf will be determined by the nations of the Gulf without interference from outside.

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Mutual assistance among Middle East nations has an important economic dimension. The wealthier nations of the area have -- in their own interest and in the general interest -- taken on the responsibility of assisting economic and social development. On the occasion of my visit to Tehran last May, I joined with His Imperial Majesty the Shah of Iran in affirming that "the economic development and welfare of the bordering states of the Persian Gulf are of importance to the stability of the region." The Kuwait Fund for Arab Economic Development has worked effectively in this area for some time. The Government of Saudi Arabia is providing significant support to its neighbors. Iran and other Middle East nations are adding to the flow of financial and technical help within the region.

These are positive developments. They strengthen the forces of moderation. There is reason for hope that these trends of collaboration will survive, gather strength over time, and contribute in turn to a favorable political evolution.

Agenda for the Future

Looking ahead several years, what does the United States hope to see in the Middle East? We hope to see, first of all, a region at peace -- with a number of strong, healthy, and independent political units cooperating among themselves, free of external interference, and welcoming the constructive participation of outside powers. I have no doubt that this is also the objective of the peoples and governments of all the countries in the Middle East.

The United States will therefore address itself to these specific tasks:

- First is the settlement of the Arab-Israeli conflict through a process of negotiation. There must be realism on all sides about what is achievable. Neither side will attain its maximum demands, but an accommodation is possible that preserves the honor and security of both sides. The absence of peace is a threat to both sides, which will increase, not diminish, over time.
- Second, the world and the region have an interest in turning great-power relationships with the Middle East into a force for stability. This means that the principles of restraint, peaceful settlement, and avoidance of confrontation that are set forth in the Basic Principles of U.S.-Soviet Relations must become enduring realities. It will require outward-looking economic relations among the Middle East, North Africa, the European Community, and the United States. It will require stable and dependable relations between suppliers and consumers of energy.

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- Third, the United States will seek to strengthen its ties with all its traditional friends in the Middle East and restore bilateral relations where they have been severed. In conditions of security and peace, there are prospects for new forms of cooperation, in the interest of enhancing the independence of the area's nations.
- In the economic dimension particularly, the United States can make a unique contribution to progress and stability. Where capital assistance is not the greatest need, American technical and managerial skills can be a major spur to modernization. Where promising new development programs are being undertaken, the United States can contribute resources productively. If the peoples of the area are to realize their aspirations for a better future in conditions of peace, economic rehabilitation and development will be essential, and the United States will do its share.

The United States is committed to helping achieve these objectives.

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SOUTH ASIA

The American interest in South Asia is clearcut: we want the region to be a contributor to global peace, not a threat to it. We want the region to be an example to the world of peaceful progress.

Last year in South Asia was a year of rebuilding. Societies torn by political upheaval, war, and natural disaster took up the tasks of reconstruction. The nations of the subcontinent began reshaping the relations among themselves. They began rebuilding their relations with the world outside. This is an arduous process, but the United States has an important stake in its success.

I have always believed that the United States, uniquely among the major powers, shared a common interest with the nations of the subcontinent in their peace, independence, and stability. Today this is more true than ever. The United States has no economic or strategic interest in a privileged position, nor in forming ties directed against any country inside the region or outside the region, nor in altering the basic political framework on the subcontinent. We have an interest in seeing that no other great power attempts this either -- and we believe the best insurance against this is a stable regional system founded on the secure independence of each nation in it. The destiny of each nation of South Asia should be for it to determine. The United States serves its own interest by respecting that right and helping them preserve it.

As I wrote last October to my Advisory Panel on South Asian Relief Assistance after it reported to me on its visit to Bangladesh, "The United States could not and cannot ignore the needs and the aspirations of the more than 700 million South Asians. Our effort to join other nations in meeting the most urgent needs of those who live in this area has reflected not only our compassion for them in their distress but also our recognition that an orderly society depends on the capacity of governments to 'promote the general welfare.'"

We therefore want to see Pakistan consolidate its integrity as a nation, restore its economic vitality, and take its place among the proud democratic nations of the world. We want to see the new People's Republic of Bangladesh flourish as a non-aligned and economically viable democratic state. We want to join with India in a mature relationship founded on equality, reciprocity, and mutual interests, reflecting India's stature as a great free nation. We want to see all the small countries of South Asia live in stability and secure in their independence.

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The Structure of Peace in South Asia

In 1971 the breakdown of peace in South Asia not only brought war and suffering to the millions of people directly affected. It raised concern about stability for the whole region from the Persian Gulf to Southeast Asia. It involved the great powers in a potentially dangerous confrontation whose significance went far beyond the immediate South Asian conflict.

Today we can hope that the subcontinent has found a new foundation for stability.

This will depend first and foremost on the normalization of relations between India, Pakistan, and Bangladesh. This means, to begin with, resolving the issues left by the events of 1971: repatriation of prisoners of war and other personnel detained; recognition and establishment of diplomatic relations; and resumption of trade and equitable division of assets and liabilities between Pakistan and Bangladesh. Beyond this, it means consolidating a new stability on the subcontinent: an end to the arms race; an end to territorial disputes; expanded economic cooperation; and creation of a climate of security and, ultimately, reconciliation.

The primary responsibility for this process rests necessarily on the region's nations. The Simla Conference in June-July 1972 between President Bhutto and Prime Minister Gandhi, which produced agreement on the outline of a settlement between Pakistan and India, was a dramatic and promising step. Progress since then has been slow, as the relationship between India and Pakistan has become intertwined with the resolution of the unsettled issues between Pakistan and Bangladesh. President Bhutto has been understandably insistent on the return of the 90,000 Pakistani prisoners of war detained in India. India has been unwilling to release them without Bangladesh's concurrence. Prime Minister Mujib, until recently, insisted that Pakistani recognition of Bangladesh must precede any other steps toward reconciliation, and he has sought the return of Bengalees detained in Pakistan. Just this past month, however, new efforts have been made to break the impasse.

The United States, from its Vietnam experience, has a natural sympathy for Pakistan's desire for the return of its prisoners of war, and for the repatriation of all detainees. It is a basic humanitarian concern and also a way of liquidating one of the vestiges of the war and beginning a process of reconciliation. At the same time, recognition of Bangladesh as a new reality in the subcontinent is a key step toward stabilization of relations in South Asia.

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As a general matter, reconciliation on the subcontinent is not a process the United States can directly affect, except to give encouragement and support to constructive actions. We have sought, on the other hand, through our bilateral relations with the nations of the area, to address the fundamental problems of recovery and stability.

Pakistan. As I stated in my Report last year, "Our concern for the well-being and security of the people of Pakistan does not end with the end of a crisis." The United States has always had a close and warm relationship with Pakistan, and we have a strong interest today in seeing it build a new future.

Pakistan entered 1972 a deeply troubled and demoralized nation. Crisis and defeat in 1971 had torn apart its political structure, halved its population, and shattered the established patterns of its economy. Yet the events of 1971 also brought to power the first civilian administration Pakistan has had since 1958 and produced a new and determined effort to develop institutions of representative government. The National Assembly in April 1973 has just adopted a new democratic federal constitution. President Bhutto has taken many courageous steps of political, economic, and social reform. He has restored much of the self-confidence of his countrymen.

The cohesion and stability of Pakistan are of critical importance to the structure of peace in South Asia. Encouragement of turmoil within nations on the subcontinent can bring not only the devastation of civil and international war, but the involvement of outside powers. This is the basis of America's interest in helping Pakistan now consolidate its integrity as a nation.

To this end, since January 1972 we have provided over \$300 million to assist Pakistan's program of economic recovery. Our assistance in the form of new loans to facilitate imports essential to Pakistan's industrial and agricultural growth totaled \$120 million. We worked with Pakistani and United Nations authorities to channel \$14 million in food and commodity emergency relief to the roughly 1.2 million Pakistanis displaced from their homes by the 1971 war. We have committed \$124 million in Title I PL-480 foodstuffs (including 1.3 million tons of wheat) to meet shortages resulting from inadequate rainfall and the dislocations of the war. We provided \$5 million in technical assistance. We made about \$45 million in aid available to support the multilateral Indus Basin development program. In addition, we joined with other members of the Pakistan Consortium, led by the World Bank, to provide emergency debt relief, the U.S. share totaling \$50 million over 1972 and 1973.

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As Pakistan now turns its efforts again to long-term economic and social development, the United States once again stands ready to assist in collaboration with the Consortium and the World Bank. The prospects are encouraging, particularly because of the success Pakistan has had through its own efforts in the past year to reorient its economy after the loss of the eastern wing. Pakistan has already managed to expand its international markets for its cotton and rice to more than offset the loss of the east as a market and as an exporter. Its export earnings this year may even surpass the combined export earnings of East and West Pakistan in 1970, the last pre-war year.

The United States believes that Pakistan, like any other nation, has a right to its independence and security. Peace and stability on the subcontinent cannot be founded on any other basis. I made a decision in March 1973 to fulfill outstanding contractual obligations to Pakistan and India for limited quantities of military equipment whose delivery had been suspended in 1971. Our policy now, as before 1971, is to permit the export of non-lethal equipment and of spare parts for equipment previously supplied by the United States. There is no change in our purpose. We are not participating in an arms race in the subcontinent.

Bangladesh. Bangladesh emerged from the 1971 crisis with a surge of enthusiasm, an unpredictable political situation, and a shattered economy. Its leaders faced the formidable tasks of restoring civil peace and harnessing national energies for building the political and administrative organization for a new state, while meeting the emergency and long-term human and development needs of what is now one of the world's most populous -- and poorest -- nations.

While the United States deplored the fact that military solutions were resorted to in 1971, we did not dispute the aspirations of the people of East Bengal for autonomy. My Foreign Policy Report last year described our efforts in 1971 to promote a peaceful political resolution of the crisis. We opposed not independence, but the outbreak of international war. Throughout the crisis year of 1971, the United States provided two-thirds of the world's relief to East Bengal, and supported the administration of that relief effort by international authorities. Once the issue was settled by the fact of independence, our principal interest was in the rehabilitation and stability of the new state. Our relief effort continued even in the absence of diplomatic relations. The United States formally recognized Bangladesh in April 1972, and established diplomatic relations in May.

Since January 1972, first under United Nations auspices and since May also bilaterally, the United States has contributed over a third of a billion dollars to relief and rehabilitation in Bangladesh. The mobilized efforts and resources of the world forestalled a major famine, and the United States provided more than any other nation. We provided \$144 million in PL-480 food and grants for food distribution; \$21 million in grants to American voluntary agencies to

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aid in the resettlement of thousands of Bengalee families; a \$35 million grant to the UN Relief Operation Dacca, mainly for food distribution; and \$145 million in bilateral grants to the Bangladesh Government for essential commodities and to restore transportation services, power stations, hospitals, and schools, for the rehabilitation of the economy.

The political and economic progress of the new nation is an enormous challenge to its leaders. Unemployment, inflation, and commodity shortages remained serious in 1972. Civil disorders continued. The Bangladesh Government in 1972 was able to begin effective rehabilitation programs and to begin considering its pressing longer-term development needs in cooperation with friendly nations and international lending institutions. We are particularly encouraged by its achievement of a new constitution, a new parliament, and a strong electoral mandate for the leadership of Sheikh Mujibur Rahman. Our interest in Bangladesh is in its stability -- lest turmoil there affect other nations -- and in its genuine non-alignment and peaceful policies. Instability anywhere in the subcontinent is an invitation to interference from outside.

Bangladesh's success in meeting this challenge will be a most important determinant of the future of peace in South Asia in the years to come.

India. India emerged from the 1971 crisis with new confidence, power, and responsibilities. This fact in itself was a new political reality for the subcontinent and for all nations concerned with South Asia's future. For the nations of that region, the question was how India would use its power. For the nations outside the region, the question was what the relationship of this power would be to that of other powers in the world.

Last year I explained that the United States was prepared for a serious dialogue with India on the future of our relations. We have taken steps in that direction in 1972. The United States respects India as a major country. We are prepared to treat India in accordance with its new stature and responsibilities, on the basis of reciprocity.

Because India is a major country, her actions on the world stage necessarily affect us and our interests.

- India's relationships with the major powers are for it to decide, and we have no interest in inhibiting their growth. However, we have a natural concern that India not be locked into exclusive ties with major countries directed against us or against other countries with whom we have relationships which we value.

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- There have been serious differences over U.S. policy in Indochina. With the ending of the war, that problem is reduced, and we feel that India, as a chairman of the International Control Commission for Laos and Cambodia and a country with a stake in Asian peace, has an opportunity to play an important positive role in consolidating a just peace in Indochina.
- India's policy toward its neighbors on the subcontinent, and other countries in nearby parts of Asia, is now an important determinant of regional stability, which is of interest to us.
- Other aspects of Indian policy affect us, and we have had our natural concerns. We have expressed unhappiness when Indian leaders have used the United States as a scapegoat in domestic disputes, which does not serve our common objective of improved relations.

Fundamentally, I believe that the United States and a non-aligned India have no significant conflicting interests. The United States has an interest in India's independence, and a natural preference to see democratic institutions flourish. We share an interest in the success and stability of Bangladesh. And as India and Pakistan move toward more normal relations, external military supply loses its relevance to the politics of the subcontinent. In short, the United States wants to see a subcontinent that is independent, progressive, and peaceful. We believe India shares these objectives -- and this can be the firm basis of a constructive relationship.

- The United States will not join in any groupings or pursue any policies directed against India. Our normalization of relations with the People's Republic of China is not directed against India or inconsistent with our desire to enjoy good relations with India. The United States and China declared in the Shanghai Communique that we both saw attempts at collusion, hegemony, or spheres of interest as inconsistent with peace in Asia. I believe that on this principle a constructive pattern of relations is possible among all the major countries of Asia, and this is the objective of United States policy.
- Both the United States and India are interested in defining a new basis for a mature economic relationship between us over the longer term. In October 1972, the United States joined in a program to reschedule the Indian debt under the aegis of the World Bank, and in March 1973 we lifted the suspension imposed in December 1971 on the flow of \$87.6 million in past development loans. For the future, both sides are now interested in how to move toward Indian self-reliance. This raises the issues of the role of U.S. development assistance, our trade relations, our consultation on world trade and monetary issues that affect

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Indian interests, and our common interest in promoting economic development on the subcontinent and elsewhere in Asia. A new framework for this economic relationship is a fruitful topic for our dialogue.

Our dialogue has now begun. Secretary Connally, on his visit to New Delhi, Dacca, and Islamabad last July, had frank and important talks on my behalf with Prime Minister Gandhi and her government's leaders. Indian Finance Minister Chavan consulted with Secretary Shultz in Washington in March 1973 on trade and monetary issues. Ambassador Moynihan's cordial reception in India was a sign that the passage of time and constructive attitudes on both sides have laid a foundation for a serious improvement in our relations. The recent discussions which Deputy Secretary of State Rush had in New Delhi on his trip to South Asia confirmed this.

We both understand, of course, that the issue is not one of communication or atmosphere. Our differences in 1971 injected a healthy realism and maturity into the U.S.-Indian relationship. We can deal with each other now without sentimentality and without the illusion that because we are both great democracies our foreign policies must be the same. Nor do great nations decide their policies on the ephemeral criterion of popularity. We have our interests and responsibilities; India's policy choices are for India to make. Good relations will come not from an identity of policies, but from respect for each other's concerns and a consciousness of the basic interest we share in global peace.

The Smaller Nations of South Asia. The smaller nations of South Asia are part of the regional system, and their well-being and independence are important to it. We do not view them as part of any country's sphere of influence. They have a right to their independence and non-alignment and a right to remain neutral with respect to the problems of their larger neighbors. Each has its own character, aspirations, and problems, and we seek relationships with each one on the basis of mutual respect.

We welcome the improvement in our relations with Sri Lanka in the past few years. Sri Lanka has strengthened its internal stability, and we hope to maintain and expand our cooperation and to assist Sri Lanka's progress. The United States joined with many other nations to assist Afghanistan in its recovery from a two-year drought and we will continue our cooperation in its economic development. We have assisted Nepal in its efforts to modernize its agriculture and transport, and we will welcome the opportunity to continue this relationship as our help is wanted. We value our contacts with all the small countries of the region -- from Bhutan to the Maldives.

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Every country on the subcontinent has a basic right to determine its own destiny without interference or dominance by any other. The United States places a high value on this right, out of conviction and out of our interest in a peaceful regional system. Every major power -- now including India, with its new power in the region -- has a basic responsibility toward the international system to exercise its power with restraint, so that these smaller nations may look to the future confident of their security and independence.

Agenda for the Future

When I visited South Asia in 1969, I said, "I wish to communicate my government's conviction that Asian hands must shape the Asian future." This was not a statement of lack of interest in South Asia; it was, on the contrary, a recognition that America's relationship with Asia would change and that our involvement would require the increasing assumption of responsibility for the Asian future by the people of Asia. The United States role would be one of assistance; we would cooperate, but would not prescribe.

That was a time of significant progress and hope in South Asia. In conditions of peace, the gains from major economic policy decisions and reforms during the 1960's in both India and Pakistan were being consolidated. The full potential of the Green Revolution was beginning to be recognized and in some areas realized. The concepts and practices of economic development and population planning were maturing.

Along with this progress, enormous problems remained on the agenda, and we discussed these at length in both India and Pakistan during my visits: the need for peace and normalization of relations between India and Pakistan; the future direction of Asia, of South Asian nations in relation to the rest of Asia, and of the United States, Soviet Union, and the People's Republic of China in relation to them; the need for a new relationship between aid donor and aid recipient; and the continuing efforts of governments to meet the demands and aspirations of their peoples for economic and social development.

The crisis of 1971 interrupted and enormously complicated these tasks -- and underlined their urgency. For the United States the crisis of 1971 illustrated again that we did not control the destiny of South Asia -- but that we had an important stake in it. The agenda for the future is both the natural outgrowth of the agenda we faced in 1969 and the legacy of the upheaval of 1971.

The first responsibility for building the future of South Asia rests on the leaders and peoples of South Asian nations themselves.

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- To a unique degree, the political future of the subcontinent depends on the ability of institutions to meet basic human needs -- the needs of the victims of drought, cyclone, flood, war, disease, hunger, and unemployment. No particular political form guarantees that these needs will be met. What is important is the determination to build institutions that can respond to human needs and give diverse elements a stake in a larger community.
- A precondition for the fulfillment of these aspirations is a sense of security and a lessening of tensions between nations on the subcontinent. Each nation must respect the integrity of the other, and each must have the confidence that it can maintain its integrity and choose its future without fear of pressure or dominance from outside.
- The relations between the countries of South Asia and countries outside the region must be consistent with the peace and independence of the subcontinent and the peace of the world. If any outside power acquires an exclusive position in an area of this mass and potential, others will be forced to respond. The major powers all have important relationships there. No South Asian interest is served if those relationships are embroiled in local tensions.

The United States will support, as we can, South Asian efforts to address this agenda.

First, the United States will contribute, where asked and where possible, to meeting human needs and to the process of development. We do this out of the traditional humanitarian concern of the American people, and out of a common interest in supporting the effectiveness and stability of institutions. Where our economic assistance does not serve mutual interests, it should not be provided. Where it does, ways must be found to assure that the form of aid is consistent with the dignity of both the donor and the recipient. The donor must not expect special influence in return; the recipient must acknowledge a mutuality of interest, for only in a relationship of acknowledged common purpose are assistance programs sustainable.

Second, United States policies globally and regionally will support the independence of South Asian nations. Within the region, we shall encourage accommodation and help to promote conditions of security and stability. We see no reason why we cannot have bilateral ties with each country in South Asia consistent with its own aspirations and ours, and not directed against any other nation. We shall gear our relations with other major powers outside the region to encourage policies of restraint and noninterference. This is our responsibility as a great power, and should be theirs.

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Third, we shall seek to assure that the concerns of all South Asians are heard in world councils on the issues of global peace and on all issues that affect them. This is not only for their benefit; it is for the general interest in building economic and political relations globally that all have a stake in preserving. As I wrote in my Foreign Policy Report in 1971: "More than ever before in the period since World War II, foreign policy must become the concern of many rather than few. There cannot be a structure of peace unless other nations help to fashion it." It is in the world interest that South Asia make a positive contribution.

I hope to see South Asia become a region of peace instead of crisis, and a force for the peace of the world.

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AFRICA

The birth of Africa's new nations was one of the dramatic features of the postwar period. The assertion of black nationhood in Africa coincided with a new affirmation of black dignity in America, creating a special bond of sympathy between the United States and the new Africa. But in the conditions of the time, the United States was preoccupied with African crises. We assumed we would be drawn into assertive involvement on the continent economically and politically, both because of endemic instability and poverty and the threat of aggressive competition from Communist powers. In an exuberant phase of our own foreign policy, the United States exaggerated its ability to help solve many of Africa's problems.

Conditions had changed by the time I came into office. The United States clearly needed a more coherent philosophy for a long-term, positive role in Africa's future. There was no question about America's continuing commitment to the goals of regional peace, economic development, self-determination, and racial justice in Africa. The issue was to focus seriously on effective ways America could contribute to them in new conditions.

- The stark, long-term problems which Africa faced had not disappeared. But in many countries a new generation of leaders had come into power who knew that rhetoric was no substitute for determined effort to govern effectively and mobilize their peoples to meet the tasks ahead. Given underdevelopment, ethnic rivalries, and the arbitrary boundaries left by the colonial powers, the political cohesion and stability achieved by Africa's 41 nations was a testimony to African statesmanship. Moreover, African nations had proven to be the best guarantors of their own sovereignty. The continent was not divided into great power spheres of influence nor did it become an arena of great power confrontation.
- In the economic sphere, while the United States was able to maintain the level of its governmental assistance, the most promising sources of capital to finance African development were now trade and private investment. The means of American support for African development would thus necessarily be more diverse, and the first responsibility for mobilizing energies and resources would clearly rest on the Africans themselves.
- The yearning for racial justice in the southern half of the continent continued unfulfilled after more than a decade of violence and excessive

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rhetoric. The task now was to devise new and practical steps toward beneficial change.

Our policy goals in Africa are unchanged: political stability, freedom from great power intervention, and peaceful economic and social development. We seek positive bilateral relations with African nations founded on their self-reliance and independence, and on forms of support which we can sustain over the long term.

Economic Progress in Africa

The principal role America can play in the continent's future is that of support for economic development -- one of the primary objectives of all African countries. This is what Africa's leaders have told me they need -- and this is the field in which the United States can contribute most effectively.

Our common objective is Africa's self-reliance. African efforts, national and regional, are the key to this accomplishment. We are encouraged by the growth and success of African institutions of regional cooperation. The recent creation of the African Development Fund is a promising example of such African initiatives.

Our interest in supporting Africa's development efforts rests on many bases. A central motive is our humanitarian concern. We also believe that as the quality of life improves on the continent, so will the prospects for regional peace. In addition a developing African economy will mean expanding potential markets for American goods. Moreover, Africa is becoming a major source of energy for the United States and Western Europe. Libya is one of the world's important producers of oil; Nigeria's oil production is increasing; Algerian natural gas is a rapidly growing source of world energy. One fourth of the world's known uranium ore reserves are in Africa. As the West seeks new and alternative sources of energy, African development becomes increasingly important.

There should be no illusions about the barriers to economic progress in Africa. The average per capita Gross National Product of most African nations ranges between \$100 and \$200 a year. Subsistence agriculture is the principal means of livelihood for much of their population. Malnutrition and disease are widespread. Africa still needs to build its social infrastructure -- education and technical skills, public health, new methods of agricultural production, and improved transport links within nations and on a regional scale.

The United States can be proud of its record of direct development assistance to Africa. We have assisted Africa both through bilateral aid and by contributing

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over 30 percent of the funds provided to Africa by international agencies. In this Administration, in spite of limited resources available for our total foreign aid program, we have increased our assistance to Africa in each of the last three years. In 1972 our bilateral and multilateral aid was \$600 million -- up from \$550 million in 1971 and \$450 million in 1970. Our programs have reflected an increasing emphasis on areas of technical assistance that are relevant to broad regional needs, such as food and livestock production and regional transportation systems. Two thousand four hundred Peace Corps volunteers are currently serving in Africa, bringing needed skills and demonstrating America's commitment to helping others.

American direct private investment in Africa has almost doubled in the last four years, reaching a total of \$4 billion, and 75 percent of that total is in Africa's developing countries. We have promoted trade and development in Africa through our Overseas Private Investment Corporation (OPIC), which promotes the flow of American capital to the developing world, and through the guarantee and other facilities of the Export-Import Bank, whose long-term loans for African trade reached a record total of \$113 million in 1972.

American firms can be a conduit for the transfer of skills, resources, and technology. The productive impact of these enterprises may be the most direct as well as the most reliable outside stimulus to the raising of living standards in developing Africa.

Obviously such private activity must be undertaken in ways consistent with the sovereignty and policies of African governments. We accept the basic principle of the Charter of the Organization of African Unity that the natural and human resources of Africa must be harnessed for the total advancement of African peoples. The specific conditions for private outside investment, and the degree of local participation in control and in profits, should be determined on a fair basis reflecting the interdependence of the relationship. American companies seek no special privileges, and the United States seeks no special advantage. Where investment has been allowed to take root and flourish, economic performance has been impressive. This is the clearest demonstration of a shared interest.

Trade expansion is important to both Africa and the United States. Our two-way trade has grown 30 percent in the last three years, but it is still modest in scale -- only about \$3.1 billion in 1972. The U.S.-sponsored African Trade and Development Conference in Washington last October brought together representatives of African Governments, our Government, and the American business community to promote trade with developing Africa. We have an interest in seeing U.S.-African trade expand in a balanced way. Such trade reflects a healthy interdependence which serves the needs both of

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African progress and of the American economy. Our imports from Africa in 1972 rose to \$1.6 billion, a 33 percent increase over the previous year. U. S. exports to Africa, however, declined slightly in 1972.

The future of our trade with Africa and our hopes for its expansion will be affected by still-unresolved problems concerning the international terms of trade. One issue is that of commodity agreements. Understandably, African nations heavily dependent on a single crop like cocoa or coffee are interested in agreements stabilizing the prices of these commodities. The United States as a consuming nation, on the other hand, seeking to control inflation at home, tends to favor free-market determination of price. This is a difficult problem involving divergent interests, and we recognize its vital importance to many African countries. We are committed to addressing the problem cooperatively and are prepared for regular consultation and exchanges of information on market conditions.

Another important issue for the United States is the evolving economic relationship between African nations and the European Community. The growth of preferential arrangements discriminating against competing American products in both European and African markets is naturally of concern to the United States. In this year of important multilateral trade negotiations, the United States will work for solutions that serve the long-term general interest in an open global system of expanding trade.

The United States has continued to respond to many of Africa's needs with humanitarian assistance. This is a reflection of the traditional concern of the American people. For decades, dedicated Americans have worked -- through private and voluntary agencies and public programs -- to help Africans combat illiteracy, starvation, disease, and the effects of natural disasters. We can take particular pride in our contribution to a major seven-year campaign to control smallpox throughout Central and West Africa. Working with the World Health Organization and twenty African Governments, we helped virtually to eliminate the disease from the area. We are continuing efforts to reduce the prevalence of measles in the area. In the semi-arid states south of the Sahara, where another year of inadequate rainfall threatened large-scale starvation, the United States provided emergency grain above and beyond the quantities already being provided.

Where civil strife has occurred, the United States has responded with generosity and impartiality to the basic human needs of the victims of conflict. In the last year, even before the resumption of diplomatic ties with Sudan, we provided humanitarian aid to the Sudanese Government for the resettlement of refugees in the southern part of that country. The United States contributed to international programs to relieve the suffering of refugees who had fled from Burundi to neighboring countries. When Asians were expelled from Uganda, this country opened its doors to 1,500 of their number.

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Stability in Africa

There is no area of the world where states are more assertive of their national independence and sovereignty than in Africa. This is understandable because of still fresh memories of colonial experiences and because so many of these states continue to feel vulnerable to outside intervention and internal subversion. In each of my Foreign Policy Reports to Congress I have affirmed that non-interference in African internal affairs is a cardinal principle of United States policy. I reaffirm that principle, and pledge that we shall respect it. The same obligation rests on other outside powers. We believe that restraint should characterize great power conduct. This is in the interest of Africa's secure place in the international system, and in the interest of Africa's stability.

Africa's nations themselves have proven to be the best champions of their right to determine their own future. African leadership has accomplished impressive examples of nation-building.

- Ethiopia, under the Emperor's leadership, has for decades been a symbol of African independence and a leader of institutions of African unity.
- Nigeria has not only survived a bitter civil war; it has gone far toward national reconciliation. Today it is a united, confident nation.
- Strife-torn Congo (Kinshasa) has transformed itself into the new and stable Zaire, with promising prospects for development.
- In Sudan, years of warfare between north and south were ended in 1972 and the nation embarked on a new era of unity and reconstruction.

These achievements by four of Africa's largest and most important states are grounds for confidence in Africa's future.

African nations have also shown their determination to safeguard the peace of their own continent. Out of their great diversity, they have fashioned institutions which have dampened political conflicts and provided mutual support for common purposes. The Organization of African Unity, celebrating its tenth anniversary this year, deserves special note. African states also have worked out bilateral solutions to serious problems. The accord reached in 1972 between Sudan and Ethiopia, which helped settle Sudan's internal conflict, and the understanding reached last year between Morocco and Algeria over their border dispute were two noteworthy achievements.

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There also were serious disappointments in 1972. It would be less than candid not to mention them, for I am sure they were disappointments, too, to Africans who are working for peace and justice on the continent.

The situation in Burundi posed a genuine dilemma for us and for African countries. Non-interference in the internal political affairs of other countries is a paramount and indispensable principle of international relations. But countries have a right to take positions of conscience. We would have expected that the first responsibility for taking such positions rested upon the African nations, either individually or collectively. The United States urged African leaders to address the problem of the killings in Burundi. We provided humanitarian assistance, impartially, to those who needed it in Burundi or who fled. All of the African leaders we spoke to voiced their concern to us; some raised it with Burundi's leaders. But ultimately none spoke out when these diplomatic efforts failed.

In Uganda, the attacks on that country's intellectual class, as well as the expulsion of Asians, were deplorable tragedies. The United States has provided refuge for some of the Asians, whose expulsion, whatever the rationale, had racial implications which do no credit or service to Africa.

While events in these two countries were tragic in comparison with the continent's other achievements, the ability of African leaders to maintain independence and territorial integrity while welding ethnic diversity into nationhood remains an undeniable source of real hope for the future.

Southern Africa

The denial of basic rights to southern Africa's black majorities continues to be a concern for the American people because of our belief in self-determination and racial equality.

Our views about South Africa's dehumanizing system of apartheid have been expressed repeatedly by this Administration in the United Nations, in other international forums, and in public statements. As I said in my Foreign Policy Report two years ago, however, "just as we will not condone the violence to human dignity implicit in apartheid, we cannot associate ourselves with those who call for a violent solution to these problems."

We should also recognize that South Africa is a dynamic society with an advanced economy, whose continued growth requires raising the skills and participation of its non-white majority. It is particularly gratifying that some American companies have taken the lead in encouraging this. They

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recognized that they were in a unique position to upgrade conditions and opportunities for all their employees regardless of race, to the fullest extent possible under South African laws.

In addition, we have sought to maintain contact with all segments of South African society. We do not endorse the racial policies of South Africa's leaders. But we do not believe that isolating them from the influence of the rest of the world is an effective way of encouraging them to follow a course of moderation and to accommodate change.

In the Portuguese territories, we favor self-determination. We have clearly expressed this position in the United Nations, and we shall continue to do so.

The United States continues to enforce -- more strictly than many other countries -- an embargo on sales of arms to all sides in South Africa and in the Portuguese territories. While we favor change, we do not regard violence as an acceptable formula for human progress.

We do not recognize the regime in power in Rhodesia; as far as permitted by domestic legislation exempting strategic materials, the United States adheres strictly to the United Nations program of economic sanctions. In Namibia, we recognize United Nations jurisdiction and discourage United States private investment.

No one who understands the complex human problems of Southern Africa believes that solutions will come soon or easily. Nor should there be any illusion that the United States can transform the situation, or indeed, that the United States should take upon itself that responsibility. This is the responsibility of the people who live there, not of any outside power.

It is important that all who seek a resolution of these problems address them with seriousness, honesty, and compassion.

The Future of U.S.-African Relations

It is important to us that we have been able to preserve our political ties with this important sector of the Third World in this new period. My fourteen personal meetings with African leaders during my first term in office were an opportunity to further this process, as were the extensive visits to Africa by the Vice President and the Secretary of State -- the first visit by an American Secretary of State to black Africa. A very special event occurred in January 1972 -- an official trip to Africa by Mrs. Nixon. Her warm reception in Ghana, the Ivory Coast, and Liberia was a symbol of the friendship of Africans toward Americans and was particularly gratifying for that reason. I will have further meetings with

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African leaders this year. I traveled to Africa four times before becoming President, and I hope to become the first American President to visit black Africa while in office. I intend as President to demonstrate my concern for Africa -- as a matter both of personal conviction and of national policy.

American policy toward Africa in the 1970's will reflect not only our friendship but a mature political relationship. The United States and African nations can deal with each other with frankness and mutual understanding. There will be differences of view, and there should be no illusions about this on either side. But the United States will seek bilateral relations with African countries on the basis of sovereign equality and mutual respect.

We have an interest in the independence and nonalignment of African countries. We ask only that they take truly nonaligned positions on world issues and on the roles of the major powers.

Our most tangible contribution to Africa's future is our support for its economic progress. We will continue to emphasize our aid, trade, and investment efforts.

We will continue to encourage evolutionary change in Southern Africa through communication with the peoples of the area and through encouragement of economic progress.

These are practical measures of support. They reflect our conviction that Africa needs concrete measures that have a real impact on its problems. Our approach represents a positive and constructive role for America to play over the long term. It sets goals we can meet. In a new period, this philosophy suits the new maturity of American policy, of African policy, and of our relationship.

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PART V
DESIGNING A NEW ECONOMIC SYSTEM
International Economic Policy

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INTERNATIONAL ECONOMIC POLICY

International economic forces have a direct bearing on the lives of people in all countries. The monetary, trade, and investment policies of any government strongly affect the jobs, prices, and incomes of its people. They influence conditions in many other countries as well. Inevitably, they have a major impact on international relations.

We have moved far toward resolving political differences through negotiation in recent years. But the peace and stability we seek could be jeopardized by economic conflicts. Such conflicts breed political tensions, weaken security ties, undermine confidence in currencies, disrupt trade, and otherwise rend the fabric of cooperation on which world order depends.

It is imperative therefore that our efforts in the international economic arena be no less energetic, no less imaginative, and no less determined than our efforts to settle other complicated and vitally important problems.

In the past two years we have begun a major effort to reform the international monetary system, improve the mechanisms of world trade, and normalize our commercial relations with the People's Republic of China, the Soviet Union, and the nations of Eastern Europe. We have moved closer to new agreements that will provide greater prosperity for us and for other nations while ensuring that economic relations reinforce traditional ties and contribute to the development of new ones. We have the chance to make economic relations a strong force for strengthening the structure of peace.

The International Economic System

The economic arrangements and institutions created following World War II served well until recent years. But as nations gained strength, points of economic contact between them multiplied and relative positions shifted, their policies had a deeper and broader effect on one another. International institutions and arrangements proved incapable of coping with the major problems that arose. Conflicts, imbalances, divisions, and protectionist tendencies threatened political, security, and economic cooperation. Nations were forced to meet repeated crises but did not get at their causes. In August 1971 we decided to take strong action toward fundamental reform of the world economic system. Our initiatives and proposals in 1972 moved the international community further towards that needed reform.

Our goal is to work with other nations to build a new economic order to meet the world's needs in the last quarter of this century. We believe these

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new arrangements should achieve six major objectives:

- continued economic progress from which all nations benefit;
- a broader sharing of responsibility commensurate with new economic power relationships and the potential benefits to be gained;
- rules that reflect an equitable balance among the interests of all nations;
- the widest possible consensus for principles of open economic intercourse, orderly economic behavior, and effective economic adjustment;
- improved methods for assuring that those principles are adhered to; and
- sufficient flexibility to allow each nation to operate within agreed standards in ways best suited to its political character, its stage of development, and its economic structure.

The achievement of these objectives can create a new balance between diverse national economic needs and a greater international unity of purpose. Economic relations can become a source of strength and harmony among countries rather than a source of friction.

But these objectives can be achieved only if nations make a strong commitment to them. Close and constructive cooperation among the European Community, Japan, and the United States -- the three pillars of the Free World economy -- will be essential. Other nations, including the developing countries, Canada, and Australia must play a major role. All have an important stake in an improved economic system. Our country, for example, will import increasing amounts of energy fuels and raw materials and therefore will have to sell more abroad to pay for them. But the stakes go beyond the problems of individual nations. Nations must be determined to channel potential conflict into constructive competition to strengthen their mutual prosperity and the prospects for a more peaceful world order.

International Monetary Policy

In the late 1960's, the monetary system created at Bretton Woods a quarter of a century before was beset by crisis. By mid-1971 it had given rise to serious imbalance and instability which placed intolerable pressures on the United States. My decision of August 15 -- to suspend dollar convertibility and to impose a ten percent surcharge on imports -- set the stage for thoroughgoing reform.

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The Smithsonian Agreement of December 1971 moved toward more realistic exchange rates. By making both surplus and deficit nations responsible for balance of payments adjustment, it had important implications for the future. But its greatest significance was as the essential prologue to full reappraisal and reform of the system.

The Agreement was not designed to resolve all the problems. Heavy speculative pressures developed periodically; the substantial deficit continued in America's balance of payments, and many countries reinforced exchange controls.

Proposals for Reform. Early in 1972 we sought to establish a new forum to examine the problem. The members of the International Monetary Fund established the Committee of Twenty with representatives of both developed and developing nations for this purpose.

After consultations with other governments we took advantage of the annual meeting of the International Monetary Fund/World Bank in September 1972 to put forward our views on needed reform in specific and comprehensive terms.

Of the proposals we put forward at the September meeting, one in particular -- improvement of the balance of payments adjustment process -- has important foreign policy implications. Because it deals with trade, investment, and monetary flows affecting the lives of people in all nations, balance of payments adjustment is an extremely sensitive issue. Relative competitive positions are particularly vital to the economic well-being of those living in nations that depend substantially on foreign trade. Exchange rates have a major impact on the international competitiveness of nations and thus affect the jobs and incomes of their people. When exchange rates are seriously out of line, the prospect of abrupt change in currency markets creates uncertainty, disrupts trade, and adversely affects the domestic economies of all nations. When one nation believes that another's adjustment or failure to adjust damages its interests, serious international friction can result.

Too little attention was paid to adjustment under the Bretton Woods System. Nations put a high premium on holding their exchange rates fixed. Remembering the dollar shortage of the early postwar period, many countries came to feel more secure with substantial surpluses and were reluctant to undertake adjustments to reduce them. Even after they had achieved large payments surpluses and growing reserves, some governments continued to help certain export industries and inefficient domestic industries. Yet precisely because of their large surpluses and reserves, balance of payments adjustments should have been made. Once the psychology of building surpluses and emphasizing exports had taken firm root, countries were concerned with the domestic repercussions of changing course.

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There were other deficiencies in the system.

- there was no agreed way to determine when an imbalance should be corrected;
- there were too few means to induce surplus nations to reduce imbalances;
- there were too few methods used to adjust imbalances. In the industrialized countries, domestic fiscal and monetary policies were considered the most appropriate methods, but we and others have learned that such measures are not always adequate or feasible.

Eventually these deficiencies produced intolerable pressures. For a time after World War II the world benefited from American deficits. Others needed our dollars to restore their liquidity, to buy our goods, and to finance expanding trade. When our deficits grew large, other countries urged us to bring our balance of payments into equilibrium and to stop using what they saw as the "special privilege" of having our trading partners hold dollars indefinitely. But our ability to adjust unilaterally was severely limited. Moreover, the effects of doing so by a change in exchange rates, when most transactions were valued in dollars and most reserves were held in dollars, were almost certain to be disruptive. Ironically, countries accumulating dollars they did not want were reluctant to revalue their own currencies for fear of losing their competitive advantage.

By August 1971 dollars held abroad far exceeded U.S. reserve assets. Some countries with large dollar reserves continued to maintain substantial balance of payments surpluses. The world became increasingly skeptical of the ability of the United States to convert outstanding dollars into other reserve assets and doubted the ability of other countries to maintain the exchange value of the dollar at its then current rate. As confidence waned, the rush to sell dollars and buy other currencies accelerated. The stability of the world's economic system was at stake and the need for reform was clear.

The history of the adjustment problem demonstrates the need for more effective and balanced adjustment machinery. Obviously no nation can fully control its balance of payments. The action or inaction of one country affects the domestic and international economic situations of others. Nations naturally want as much control as possible over their economic policy to meet the social and economic needs of their citizens. But failure to accommodate the interests of others weakens the world economy, to the disadvantage of all. Our proposals would give each nation maximum discretion in choosing ways to adjust to its payments imbalance, but would give the international community the means to ensure effective adjustment.

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We believe governments should employ a variety of methods to achieve balance of payments adjustment. They should continue to use fiscal and monetary policy that fits their circumstances. Beyond this, they should have more latitude to adjust the international price of their currency when they face a payments imbalance. For countries choosing to maintain set par values for their currencies, greater flexibility could be achieved by allowing a "band" of permissible exchange rate fluctuation around parity wider than that under Bretton Woods. Under agreed conditions, countries might sometimes seek adjustment by a transitional float to a new par value, by a float on an indefinite basis, or by a move directly to a new set rate. All three techniques have been used in recent realignments.

Countries in surplus should also use trade and investment liberalization to contribute to adjustment. In exceptional circumstances, temporary trade restrictions may be an appropriate supplementary adjustment action for deficit countries. If imports are to be restrained for this purpose, it should be by barriers such as a surcharge rather than by quotas. Surplus countries also can contribute importantly to adjustment by increasing the amount of foreign aid which they give without requiring purchases from them.

We believe that criteria should be established which will identify when an adjustment is needed. The need should be demonstrated before an imbalance becomes so great that the adjustment to correct it would pose serious difficulties either domestically or internationally for the nation involved. These criteria should apply even-handedly to surplus and deficit nations alike. In our view the disproportionate gain or loss in a country's reserves should be the primary indicator that balance of payments adjustment is needed. If in a particular case a country believed the reserve indicator to be misleading and adjustment inappropriate, a multilateral review could help determine the proper action. But if that review confirmed that adjustment was needed and the country did not take action, the international community should apply pressures and inducements to bring it about.

Recent Events. Repeated crises over recent years have clearly demonstrated the need for closer international cooperation to speed programs toward monetary reform and improved payments equilibrium. In February and March of 1973, the United States and several other countries jointly acted to deal with the latest in a series of major crises. The high degree of international cooperation that marked the handling of these critical monetary issues can produce the fundamental reforms the system requires. We hope the outlines of a new approach can be agreed upon at the International Monetary Fund meeting in Nairobi this September, and we will work closely with others to attain that objective.

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Foreign Trade

In determining their trade policies, governments must balance the desires of all their people. Some workers, farmers, and businessmen want greater access to foreign markets; others want to limit imports; and consumers want the widest variety of goods at the lowest possible prices.

Recent problems in the international trading system reflect in part the high priority some countries place on promoting certain exports and protecting favored producers. Over-emphasis by some countries on promoting certain exports has forced their own consumers to pay more for these products by reducing their availability at home and has sometimes led to disruptive increases in imports in the markets of other nations. Over-emphasis by countries on protection has penalized their domestic consumers and limited exports of other nations.

When such excesses by one nation occur, adversely affected groups in other countries demand retaliation or protection. These demands are particularly hard for governments to deal with in the present climate. International rules adopted in the 1940's to prevent or solve these and other problems have often been ignored. In some cases they do not meet contemporary needs. Nations on occasion have felt they had no choice but to accommodate particular domestic interests in ways that not only further complicate the international problem but also damage other domestic interests. The result has been an erosion of confidence in the trading system, and economic and political friction.

The U.S. Response

Balancing domestic and foreign interests in this environment has been one of the most difficult problems faced by the United States. Early in 1972 the United States secured agreement from Japan to reduce trade barriers on a variety of industrial and farm products. At our meeting in Honolulu later that year and in subsequent talks as well, Japan agreed to take additional steps to boost imports of American products and to liberalize its internal distribution system. Although these actions have benefited American exporters, they have not been adequate and we are seeking further progress in these areas. In talks with our trading partners and in the forum provided under the General Agreement on Tariffs and Trade we are pressing for solutions to other problems

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including compensation for the impairment of our trade interests as a result of enlargement of the European Community and its new arrangements with other European countries.

Special problems caused by rapidly rising steel and textile imports into the United States have been eased by export restraint agreements reached with major foreign producers. Enforcement of anti-dumping and countervailing duty laws, which protect American workers and industry from injury due to unfair import competition, has improved markedly.

We have also taken steps to cut inflation and to benefit American consumers. We suspended import quotas on meats and relaxed them on certain dairy products. The entire oil import program was recently restructured to help ensure adequate supplies for the domestic market. These measures also have helped foreign exporters. Moreover, we have eliminated export subsidies on farm products, contributing to a sounder balance between exports and home supplies and to a better world agricultural trading order.

But despite the actions we and other nations have taken to meet domestic needs and to help establish more sustainable trade arrangements, problems and grievances remain. Although farmers, workers, businessmen, and consumers together benefit overwhelmingly from foreign trade, trade issues continue to be the subject of intense debate. In some cases, pressures such issues generate prevent nations from reducing trade barriers even though to do so would be in their overall interest. In other cases, they produce pressures for new barriers that adversely affect both their own domestic consumers and other nations.

In the United States, these pressures -- magnified by a period of high unemployment and a large payments deficit -- have created demands for erecting high barriers against foreign competition. For both domestic and international reasons I do not favor this course. This approach might ease a few problems, but it would cause many more of a serious and permanent nature. Our consumers would have to pay higher prices. The many American industries that depend on imported materials and components would be seriously hurt and their products would become less competitive. This course could also trigger an escalation of international trade barriers which would cut American industrial and agricultural exports and strike at the roots of international cooperation and prosperity. The collective result would be highly damaging to our domestic well-being and to our foreign policy interests. We have agreed with our trading partners to pursue a wiser and better alternative.

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The Need for a Multilateral Response. The solution to the problems we face lies in a major international effort to develop an improved world trading system. We must build a system which allows nations to satisfy their domestic needs while participating fully in mutual gains from trade. Such a system should expand export opportunities and give consumers the benefit of less expensive and more varied goods. It should establish a set of rules under which a country could limit imports temporarily where necessary to give workers and industries time to adjust smoothly to sudden disruptive increases in foreign competition. And it should bring about an improvement in international trading rules and arrangements. Together these will enable us to better meet the needs of American agriculture, labor, business, and consumers.

The international commitment to multilateral trade negotiations provides the opportunity to achieve these goals. In February 1972, the United States, the European Community, and Japan agreed to "initiate and actively support multilateral and comprehensive negotiations in the framework of GATT beginning in 1973 . . . with a view to the expansion and greater liberalization of world trade. . . on the basis of mutual advantage and mutual commitment with overall reciprocity." At Honolulu, Prime Minister Tanaka and I reaffirmed that commitment. In October leaders of the enlarged European Community reemphasized their pledge to work toward a reduction of tariff and non-tariff barriers, expressing the hope that the negotiations could be concluded in 1975. Responding to these expressions, I sent new trade legislation to the Congress and announced my intention to work toward the timetable suggested by the European leaders.

The Task of Negotiations. We now have the chance to move from confrontation to negotiation in the field of trade. The negotiating process holds the greatest hope for reducing barriers to our exports, for resolving trade differences with friends, and for developing the improved trading system the world needs.

The impending negotiations can substantially lower world tariff barriers. But we do not look upon this effort merely as another round of tariff reductions -- an area in which much progress has already been made. They also provide a major opportunity to settle a variety of other trade issues. Most nations employ a variety of non-tariff trade barriers. A number of these are erected for social, political, and security reasons. Others exist because of government procurement, health, and safety standards. It will be hard to eliminate these barriers or reduce their trade distorting effects without affecting the domestic interests that fostered them. But minimizing their adverse trade effects will open broad new areas for international commerce.

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The majority of the world's people, in all nations, will benefit from more open agricultural trade and the resulting lower cost and increased availability of farm products. It is particularly important to the United States to remove the barriers which stand in the way of expanded agricultural trade. We are efficient producers of many farm commodities, and our farm policies are predicated on a more open, more market oriented agricultural trading system.

Preferential trading arrangements, which discriminate against the trade of those who do not participate in them, cannot be reconciled with the Most Favored Nation principle, the basic tenet of world trade. In certain cases we have actively encouraged closer regional political and economic relations. But close relations, where the objective is not a fuller economic and political union, need not include discriminatory trade arrangements. Where they do, we believe steps should be taken to reduce or eliminate their adverse trade effects. Regional arrangements that are part of a broader economic or political unity must be distinguished from preferential arrangements that primarily divert trade from other countries.

We also need a multilateral agreement on safeguards that nations can apply for a limited time to permit smooth adjustment to rapid increases in imports. As we pursue a more open trading world for the benefit of all, it is self-defeating to ignore the fact that adjustment to more open competition may be difficult for some. Effective procedures to ease this process are the most realistic way to ensure that open trade will bring the benefits we expect.

We also need better means to avoid trade conflicts and to settle them in an orderly way when they develop. One nation's efforts to promote some segment of its economy or to protect it against external competition can significantly damage other countries. One way to avoid the resulting frictions is to agree on more effective rules for trade. Another is frequent consultations so that nations consider the views of their trading partners before making decisions and assure that problems are faced promptly and candidly. At a time when we are moving from confrontation to negotiation in other areas, we need new trading arrangements and rules to solve trade problems in the same spirit.

Principles for Success. The coming trade negotiations will have the best chance of achieving their major objectives if they are based on sound political and economic principles:

- Negotiations should seek maximum feasible reliance on market forces as a means of guiding trade. Such arrangements will allow us to sell the goods we produce most competitively and to buy goods others

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produce most competitively, increasing the earnings of workers and farmers and giving the consumer more for his money. This is the most efficient way of using each nation's resources; it avoids the vicious circle of protection and counterprotection. The temptation to dwell on the "cost" of particular concessions must be avoided in favor of the overall objective of lessening trade barriers and improving the world trading system. The benefits that will accrue to all nations -- not only economically but also in their broader relationships -- should be the guiding objective.

- Negotiations should significantly reduce barriers in all trade sectors. Only all-inclusive negotiations permit a full weighing of broader national interests of participating countries. From our point of view, it is especially important that the negotiations reduce barriers in certain areas of agricultural trade. Other nations have areas in which they want similar results. To pay less attention to one nation's priorities will make that nation less inclined to meet the priority needs of others.

Prospects for the Future. Over the past year this Administration has stressed the importance of creating a more open and equitable trading order. We have worked to get other nations to pledge full cooperation in this effort. We do not expect the coming negotiations to solve all trade problems, but they can successfully launch us toward that goal. Last October's declaration by leaders of the European Community and similar statements by Japanese leaders demonstrated their dedication to this effort. Other nations are similarly committed. But we must seize the moment, or the momentum that has developed could be lost.

I recently sent the Congress my proposed Trade Reform Act of 1973. This legislation would give the President authority to negotiate a system that will increase world trade, give the United States an opportunity to share fairly in that increase, and insure that trade becomes a source of stability and cooperation among nations. Meanwhile we are dealing with individual trade problems using, where available, the procedures of the General Agreement on Tariffs and Trade. Effective action on such matters could clear up some existing differences and improve the climate for broader negotiations. We look to other nations to work with us in forthcoming negotiations in a test of joint statesmanship to bring about a world trading order which serves the needs of all.

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The Developing Nations

Despite a record of significant accomplishment -- including an average annual increase in economic growth of more than 5.5 percent in the last decade, the success of the Green Revolution, and rapid advances in health and education -- hundreds of millions of people in the developing countries still exist in conditions of extreme hunger, poverty, and disease. Basic humanitarian considerations call on us to assist these countries in improving the lives of their people. But we also have a major economic and political interest in the growth and stability of these countries and in their active cooperation.

Many of these countries have energy resources and raw materials that we will need in significantly increasing amounts. Some of them have become fast-growing markets for our exports. Almost one-third of U.S. exports went to developing countries in 1972 and the future growth of these countries will expand our markets.

But an increased pace of development is essential. Unless substantial progress occurs -- through efforts by developed and developing nations alike -- the stability of many countries and regions can be jeopardized as essential needs of people go unsatisfied.

There has been a growing tendency to question our commitment to help developing nations. Attracted to rapid solutions and under-estimating the time and effort needed to stimulate development, Americans are frustrated by the slow pace of visible progress. But, our future economic and political needs will be far better served by actively cooperating with the developing countries for our mutual benefit than by neglecting their needs. We must pursue a realistic policy of development assistance and find better ways of dealing with the trade and monetary interests of developing nations.

Foreign Assistance. I have long been convinced that we needed major improvements in our foreign assistance program. Numerous statements in committees responsible for aid legislation and by individual Congressmen suggest that broad support exists for a modified approach to aid.

We have already improved our aid system in several ways. Bilateral aid is now focused on a few key areas -- such as population planning, agriculture, health, and education -- in which the Agency for International Development (AID) has a high degree of experience and expertise. Development assistance has been separated organizationally from assistance given for security reasons. A new International Narcotics Control Assistance Program is helping developing countries

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improve their ability to control the production and flow of illicit narcotics. And we have strengthened our capacity to provide urgently needed emergency assistance to countries that have suffered disasters.

Effective coordination of aid has increased its efficiency and benefits for recipients. AID is increasingly coordinating its programs with those of other nations and international bodies. In cooperation with other nations, we have provided short-term relief to countries whose debt burden was so overwhelming that it threatened their growth and stability.

We deal with recipient countries as partners recognizing their growing expertise and their ability to determine their own development needs. While we help in the planning, funding, and monitoring of development programs, we no longer take the lead in setting priorities or in detailed execution.

We have made substantial contributions to development assistance through international institutions such as the World Bank, the Inter-American Development Bank, the Asian Development Bank, and the United Nations Development Program. Because of their multilateral and non-political character, these institutions frequently can be more rigorous and frank on issues of development policy with recipient states. They have done an outstanding job in providing the framework for coordinating donor contributions and in assuming their appropriate role of leadership in the development assistance effort. The funds I have requested for these institutions and for our bilateral programs are essential to the peoples of the developing countries and to the structure of our relationship with the developing world.

Development Through Trade. While foreign assistance is important, developing nations have to earn by far the largest part of their foreign exchange through trade. Traditionally, they have exported mainly raw materials, though manufactured goods have increasing potential for expansion. They must export these goods in increasing amounts in order to buy the machinery and other products necessary for their future development. Recognizing this fact, we have included in our proposed trade legislation a provision for generalized tariff preferences which would allow many products of the developing countries to enter the U.S., as they already enter Europe and Japan, without duty.

In the 19th and early 20th Centuries there was considerable friction among developed nations as a result of their discriminatory commercial arrangements with the poorer areas of the world. Today's special preferential arrangements are also a source of such friction. And they run counter to the interests of many

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developing countries. We seek a system that improves developing country access to the markets of the developed countries without discrimination and without restricted preferential arrangements. Our legislation reflects this approach.

In the forthcoming trade negotiations, developing countries have an opportunity to help create a general improvement of trade conditions. Most of them want greater freedom in agricultural trade and increased exports to developed countries of their manufactured and semi-manufactured goods. We and the developing countries which share these objectives have an interest in working together to achieve them. And, reductions in the import barriers of developing countries could benefit their economies and help make the system work more effectively.

Monetary Policy and the Developing Nations. The developing countries have a major interest in the reform of the world's monetary system. Their trade, exchange reserves, and debt positions are directly affected by monetary events. Yet in the past they have had little voice in monetary negotiations. The inclusion of nine representatives of the developing nations on the Committee of Twenty on international monetary reform is a significant and positive step. We are working closely with these nations to achieve reforms that serve our mutual interests.

Future Issues

1972 began an era of negotiation and reform in international economic policy. We laid the groundwork for a thorough restructuring of the international economy and opened doors to new commercial relations with the Communist world. The critical task facing us now is to carry forward the work of reordering the world economy to make it more responsive to the needs and realities of our time. We must develop new rules for international economic activity that reflect changing circumstances. Nations must share the responsibility for making the system work so that all can benefit from a more open and equitable world economy. All nations must work together cooperatively so that we can move into a new era of broadly shared prosperity.

Our goals will be to:

- carry forward negotiations in the Committee of Twenty to devise a monetary system that meets the needs of all nations;
- begin multilateral negotiations aimed at substantial reduction of barriers to open trade and improvement of the trading system;

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- widen public understanding of our international economic goals and obtain necessary legislative authority for our active participation in building a stronger world economy;
- expand cooperation with the lower income countries to help their development efforts through improved aid policies and by opening the international system to their more effective participation;
- continue to broaden economic exchanges with the Soviet Union, the People's Republic of China, and the nations of Eastern Europe.

We must take advantage of the foundation laid in 1972 to build an international economic structure that will promote healthy competition, enhance prosperity for us and other countries, and contribute to a peaceful world order in the decades to come.

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DEFENSE POLICY

Of all the changes in the international situation over the postwar period discussed in this Report, one of the most fundamental has been the shift in our strategic position.

The Challenge We Faced

When I entered office we faced a situation unique in American postwar experience. An era was behind us. In the immediate aftermath of World War II challenges to our security could be met with the assurance that our strategic nuclear position was overwhelmingly superior. By January 1969, the United States no longer enjoyed this strategic preponderance.

The Soviet Union had embarked on a formidable expansion of its nuclear arsenal. We could chart with some certainty when the Soviet Union would surpass us in numbers of intercontinental and submarine launched ballistic missiles; we could also project when they could close the technological gap in strategic weapons. Our own offensive building program had virtually ceased, as we had shifted our effort to qualitative improvements. We had developed a concept for ballistic missile defense of our territory, but had no active deployment. We faced a negotiation on strategic arms controls, but had only begun to analyze the relationship to strategic weapons decisions.

At the same time, our spending for defense had grown substantially. Almost all the increases, however, had been absorbed by the war in Vietnam. The costs of new weapons were escalating, as were the expenses of maintaining the men of our armed forces. In addition, we were bearing burdens abroad for the common defense that seemed out of proportion to those borne by our allies. More than a million Americans were stationed overseas, and our reserves at home were minimal.

Yet, I found that our strategic doctrine called for an American capability to fight in two major theaters simultaneously. The confrontation atmosphere of the Cold War persisted in both Europe and Asia. But the international environment after 25 years suggested new opportunities for diplomacy and, accordingly, for adjustments in military planning. The rigidity of the confrontation between East and West was easing, and the conduct of nations could no longer be viewed in the simple bipolar context of military blocs.

The need for an urgent reexamination of our national security policy and programs was obvious. There were four overriding questions:

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- What doctrine was appropriate for our strategic forces in an era when the threat of massive retaliation alone was no longer credible in all circumstances and decisive nuclear superiority was probably unattainable?
- What should the interrelationship be between the programs required for maintaining our strength and our proposals for limiting strategic arms through negotiations?
- How could we simultaneously satisfy pressing domestic needs, meet our responsibilities in Vietnam, and maintain the capabilities of our other forces in a period when non-nuclear challenges were an important dimension of the security problem?
- How could we, in coordination with our allies, strengthen our mutual defense in a manner that retained their confidence in our reliability but permitted them to play a more prominent role?

Early in my first term, I made a series of decisions that resulted in a new concept of national security, reflected in the Nixon Doctrine.

In strategic nuclear policy, we adopted the doctrine of sufficiency. We could no longer be complacent about the strategic status quo merely because we could cause a certain level of destruction in response to an attack. We therefore began to develop a sounder and more flexible doctrine for our forces that would provide other retaliatory options besides a direct attack on millions of people.

Concurrently, in order to reduce our vulnerability and to compensate for the Soviet buildup, we launched a program to modernize our strategic forces. We continued to convert our land and sea-based missiles to multiple independently targetable warheads (MIRVs). Thus, our missiles which would survive an attack would be able in retaliation to strike their targets with greater assurance of eluding defenses. We laid plans for a new long-range missile and submarine that would reduce vulnerability by allowing operation in a larger ocean area while still in range of targets. In addition, to increase the survivability of our retaliatory forces, we began planning a new strategic bomber to replace the aging B-52 force. We also initiated the Safeguard anti-ballistic missile (ABM) program to protect our land-based retaliatory forces.

Each of these decisions was taken, however, with the full understanding that, as an integral part of our national security policy, we also would seriously pursue negotiations for arms limitations. We would offer the Soviet Union the opportunity to reach agreement on measures that would enhance the security of both sides.

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Finally, we began to assess our security obligations to determine how our alliance defense posture might be strengthened through mutual effort. We examined whether U.S. forces in some forward areas might be reduced; in those regions where security required a strong and continuing American presence, as in Europe, we and our allies initiated new programs for sharing the defense burden.

In the past four years we have laid a solid foundation for safeguarding American security for the remainder of this decade. We are now entering a period of promising prospects for increasing international stability. But the outcome is by no means guaranteed. We are still in a challenging period of transition. We still face difficult decisions.

There have been a number of positive developments since 1969. Unprecedented progress has been made in strategic arms controls. For the first time in two decades there is a genuine possibility of mutual and balanced force reductions in Europe. Our allies in Western Europe and Asia have become stronger, both economically and militarily, and are contributing more to mutual defense. Tensions in these two regions have been easing. A Vietnam Peace Agreement has been signed and our force of a half million men has returned home.

On the other hand, we cannot ignore the negative trends that persist. Even though Vietnam is entering a new phase, conflict remains in Indochina and ferment persists in other key areas of the world such as the Middle East where the interests of major powers are involved. Modern weapons are still being delivered to areas of great instability. The Soviet Union is strengthening its armed forces in every major category, including those in which the United States traditionally has had a substantial margin of superiority. A Soviet military presence now has been established in many strategic areas of the world.

As we determine the requirements for our defense in these circumstances and approach ongoing arms control negotiations, five factors of the current situation are of particular importance:

- There is approximate parity between the strategic forces of the United States and the Soviet Union. Soviet numerical advantages are offset by superior American technology.
- In such an era greater reliance must be placed on non-nuclear forces.
- Technological change while creating new opportunities also poses a potential threat to existing strategic stability.

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- Manpower costs have increased substantially. They now absorb more than 56 percent of our entire defense budget, compared with 42 percent a decade ago. Now that we have chosen to rely on all-volunteer forces, the proportion devoted to manpower is not likely to decrease.
- The costs of increasingly complex modern weapons are also spiraling, further constraining our ability to maintain conventional force levels.

At the same time, the political climate at home has changed. In spite of the adjustments we have already made to new conditions, we face intensified pressures for further withdrawals of our deployed forces and for greater reductions. In the post-Vietnam environment, some Americans seem eager to return to the prevalent philosophy of the 1930's, and resist U.S. involvement in world affairs. The consensus which sustained our national commitment to a strong American military posture over the postwar period is no longer unchallenged.

The emerging global order, however, has neither exact historical parallels nor a predestined outcome. American actions will be a decisive determinant of its shape. In a period of developing detente, it is easy to be lulled into a false sense of security. Threats are less blatant; the temptation is greater to make unilateral reductions and neglect the realities of existing forces of potential adversaries.

In such a fluid period we have no responsible choice but to remain alert to the possibility that the current trend toward detente with the Soviet Union and China may not prove durable. We have only begun an era of negotiations. We must not now ignore fundamental changes in the balance of forces or in the potential strength of our adversaries in an era of rapid change. To do so would only tempt challenges to our security interests and jeopardize chances for achieving greater stability through further agreements.

Military adequacy is never permanently guaranteed. To maintain security requires a continuing effort. But faced with escalating costs of manpower and weapons and competing domestic demands, we must ensure that defense spending is based on a realistic assessment of our security requirements, and we must endeavor to reduce expenditures through more effective management.

There is, however, an irreducible minimum below which we cannot go without jeopardizing the very foundations of our diplomacy, our interests, and our national security. This Nation cannot afford the cost of weakness. Our strength is an essential stabilizing element in a world of turmoil and change. Our

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friends rely on it; our adversaries respect it. It is the essential underpinning for our diplomacy, designed to increase international understanding and to lessen the risks of war.

While taking the necessary steps to maintain the sufficiency of our strength, we are seeking a sound basis for limiting arms competition. Both elements are fundamental to a national defense that ensures a more stable structure of peace.

Strategic Policy

Deterrence of war is the primary goal of our strategic policy and the principal function of our nuclear forces. Thus, our objectives continue to be:

- to deter all-out attack on the United States or its allies;
- to face any potential aggressor contemplating less than all-out attack with unacceptable risks; and
- to maintain a stable political environment within which the threat of aggression or coercion against the United States or its allies is minimized.

Strategic forces are the central component of our military posture. It is on them that our security and that of our allies is most heavily dependent.

While our goals are unchanged, there have been fundamental changes in the strategic military environment. Approximate nuclear parity between the United States and the Soviet Union is now a strategic reality and has been confirmed in strategic arms control agreements. Certain technological advances, however, could become destabilizing. So it is, therefore, imperative that we continue to assess the adequacy of our strategic policy and programs in light of advances made by potential adversaries.

The task is greatly complicated by the long lead time required to make significant changes in these forces. Because of the extended development phase for new systems, a lengthy period could pass before a nation perceived that it was falling dangerously behind. From that point, it would require another considerable period before the imbalance could be corrected.

We must plan now to have a strategic force that will be adequate to meet potential threats of the next decade. We must develop our programs in the context of an uncertain world situation and accelerating technological possibilities.

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During the 1960's missiles were relatively inaccurate and single warheads were the rule. Today, accuracies have improved significantly and missiles carry multiple warheads that can be independently targeted. In the present environment it would be misleading to measure sufficiency only by calculating destructive power in megatonnage. The quality of weapons systems, and their survivability, are vital determinants of sufficiency.

The SALT Agreement of May 1972 halted the rapid numerical growth of Soviet strategic offensive systems. Within the limits of the current SALT Agreement, however, strategic modernization programs may continue. We must, therefore, carefully assess the efforts the Soviets are making to improve their capabilities and must pace our programs accordingly.

- At least three new Soviet Intercontinental Ballistic Missiles (ICBMs) are being developed: a new, very large missile which could have greater capability than the SS-9, which is now the largest operational Soviet missile; a smaller ICBM, possibly intended as a follow-on to the SS-11 missile; and a solid propellant ICBM, probably designed to replace the SS-13 or possibly to provide a mobile capability.
- These new missiles may well carry MIRVs with accuracies which would increase the vulnerability of our land based missiles, thus jeopardizing the current strategic stability.
- The Soviet Union has begun deployment of a new submarine capable of submerged launch of a 4,000 mile range missile.
- The Soviet ABM research and development program continues unabated.

If present trends continue and we do not take remedial steps, the forces which we currently rely upon to survive an attack and to retaliate could be more vulnerable. At some time in the future we could face a situation in which during a crisis there could be a premium to the side that initiated nuclear war. This would be an unstable and dangerous strategic relationship. Such a strategic environment is unacceptable.

In the late 1960's the effectiveness of American strategic nuclear forces was measured by a criterion known as "assured destruction." This concept assumed that deterrence could be maintained if it were clear that following a large-scale nuclear strike the United States could retaliate and inflict an unacceptable level of damage on the population and industry of the attacker.

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In the 1970's strategic doctrine must meet different criteria. While the specter of an unacceptable response is fundamental to deterrence, the ability to kill tens of millions of people is not the only or necessarily the most effective deterrent to every challenge. Such a drastic course can be credibly reserved only for the most overwhelming threats to national survival. Moreover, the measurement of the effectiveness of our strategic forces in terms of numbers of dead is inconsistent with American values.

A different strategic doctrine is required in this decade when potential adversaries possess large and more flexible nuclear forces. The threat of an all-out nuclear response involving the cities of both sides might not be as credible a deterrent as it was in the 1960's. An aggressor, in the unlikely event of nuclear war, might choose to employ nuclear weapons selectively and in limited numbers for limited objectives. No President should ever be in the position where his only option in meeting such aggression is an all-out nuclear response. To deal with a wide range of possible hostile actions, the President must maintain a broad choice of options.

Credible deterrence in the 1970's requires greater flexibility:

- Lack of flexibility on our part could tempt an aggressor to use nuclear weapons in a limited way in a crisis. If the United States has the ability to use its forces in a controlled way, the likelihood of nuclear response would be more credible, thereby making deterrence more effective and the initial use of nuclear weapons by an opponent less likely.
- Therefore, to extend deterrence over a wider spectrum of possible contingencies we should ensure that our forces are capable of executing a range of options.
- If war occurs -- and there is no way we can absolutely guarantee that it will not -- we should have means of preventing escalation while convincing an opponent of the futility of continued aggression.

Greater flexibility in the employment of our forces does not necessitate any drastic change in our nuclear programs. The fundamental objective of military forces remains deterrence. Potential aggressors must be aware that the United States will continue to have both the resolve and the capacity to act in the face of aggression in all circumstances.

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Strategic Programs

Our weapons programs are planned within the framework of this strategic policy. We must also consider Soviet strategic developments, arms limitations, and the potential for technological change. In light of the current strategic situation, I have determined that the U.S. must continue its modernization programs to ensure the future sufficiency of our nuclear forces.

- We are therefore improving our ICBM force. Silos for Minuteman missiles are being hardened, and 550 Minuteman III missiles with multiple independently targeted warheads will be deployed by the mid-1970's.
- Development of a new strategic submarine, the Trident, has been undertaken to provide a highly survivable replacement for our current ballistic missile submarines.
- We are developing a generation of submarine launched missiles with substantially greater range. With these new missiles our Trident and Poseidon submarines will be able to operate in a much larger ocean area while still within range of targets, and thus will be less vulnerable.
- The survivability of B-52 bombers has been increased by decreasing the time required for take-off on warning of an attack and by developing new basing concepts. This will reduce the threat from the growing force of Soviet ballistic missile submarines.
- We have also begun engineering development of the B-1 bomber as a potential replacement for the aging B-52s. The B-1 would maintain our bomber force as an important element in our mix of retaliatory forces, providing assurance against technological breakthroughs, complicating an enemy's offensive and defensive planning, and ensuring flexibility of response.
- The ABM facility at Grand Forks, North Dakota, is being completed. This installation will give us operational ABM experience while directly enhancing the survivability of Minuteman ICBMs. We will also continue our planning for the Washington, D.C. ABM site in order to provide additional security for the major control center of our forces.

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- Similarly, we are improving facilities for command and communications to control our responses in crisis situations.

We cannot prudently ignore the long-term strategic requirements of our security. But at the same time we are conscious of a serious responsibility -- to preserve an environment which enhances stability and encourages further efforts to limit nuclear arms. Our forces, therefore, are not designed to provide a capability for a disarming first strike. Moreover, our programs are not so substantial that our objectives could be misunderstood, conceivably spurring a Soviet building cycle. There is not necessarily a direct relationship between every change in the strategic forces of the two sides. Some changes reflect an action-reaction cycle in the strategic arms programs of the two nations. In other cases, the similarity between American and Soviet forces results simply from the fact that roughly the same technologies are employed.

This year we will continue to assess how to deal more effectively with the implications of parity and to guard against unanticipated technological breakthroughs. At the same time, our efforts will reflect the essential defensive and deterrent purposes of our doctrine and forces.

General Purpose Forces

In a strategic environment of approximate parity, nuclear weapons alone are less likely to deter the full range of possible conflicts. Our success in negotiating strategic limitations has thus increased the importance of maintaining other deterrent forces capable of coping with a full variety of challenges.

In recent years conventional forces have played a critical role in numerous conflicts involving great power interests, including Arab-Israeli and Jordanian-Syrian fighting in the Middle East; the India-Pakistan war; and the North Vietnamese invasion of Laos, Cambodia, and South Vietnam.

The United States cannot protect its national interests, or support those of its allies, or meet its responsibilities for helping safeguard international peace, without the ability to deploy forces abroad. In the Jordan crisis of 1970, for example, our forces helped stabilize an explosive situation. When warnings went unheeded and the North Vietnamese launched an all-out invasion of the South in the spring of 1972, our determination to act decisively with conventional forces was tested. The bombing and mining of North Vietnam complemented the defensive action of our South Vietnamese allies on the battlefield and provided a convincing incentive for serious negotiations. In both instances the combination of local superiority and a strong U.S. defense posture decreased the likelihood of challenge to these forces.

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When I came into office, I ordered a reassessment of the rationale upon which our conventional force planning was based. Our analysis concluded that a coordinated attack by the major Communist powers simultaneously in both Europe and Asia was unlikely. We determined, however, that our forces should still be adequate to meet a major threat in either Europe or Asia and to cope simultaneously with a lesser contingency elsewhere.

The specific potential threats we face in Asia or Europe continue to be the primary determinants of the size, composition, and disposition of our general purpose forces. Our principal forward deployments are in these areas where, supplementing the forces of our allies, they help counterbalance the strong forces of potential adversaries. The strength of the defenses of Western Europe remains the cornerstone of our own security posture. The American presence in Europe and Asia is essential to the sense of security and confidence of our friends which underpins all our common endeavors -- including our joint efforts in the common defense. Our forces are deployed to provide a responsive and efficient posture against likely threats.

But planning based on the threats in these two areas alone is not sufficient. We also need forces to deal with lesser contingencies that pose a threat to our interests -- a capability not necessarily provided by units positioned for a major conflict overseas.

Moreover, even in a period of developing detente, we cannot ignore the reality of a modern Soviet navy operating increasingly in the Caribbean, Indian Ocean, the Mediterranean and along the coasts of Africa; newly established Soviet security commitments, support facilities, and communications networks in key areas of the Third World; or increasing Soviet arms programs in these areas.

The credibility of our force posture has two basic determinants: overall size and the level of forward deployments. Our general purpose forces are now substantially below the peak levels of the Vietnam buildup and well below even the levels maintained prior to the Vietnam war. This is the result of changing assessments of security requirements, our success in developing allied capabilities, and the increasing costs of replacing obsolescent systems and maintaining existing forces.

Our ground, naval, and air forces have now reached the absolute minimum necessary to meet our commitments and provide a credible conventional deterrent in an age of strategic parity. Compared to levels in June 1964, we have a third fewer combat ships, 37 fewer aircraft squadrons and 3 and 1/3 fewer ground divisions.

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Pre and Post Vietnam Force Levels

	<u>Pre-Vietnam</u> <u>June 1964</u>	<u>Peak Vietnam</u> <u>June 1968</u>	<u>Current</u> <u>June 1973</u>
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Ships

Attack carriers	15	15	14
Anti-submarine including attack submarines	381	379	252
Fleet air defense	53	75	73
Amphibious assault	<u>134</u>	<u>148</u>	<u>65</u>
	583	617	404

Attack and Fighter Aircraft
Squadrons

Air Force	90	103	71
Navy	85	80	70
Marine	<u>28</u>	<u>27</u>	<u>25</u>
	203	210	166

Ground Force DivisionsArmy

- Airborne	2 1/3	2 1/3	1
- Airmobile		1	1
- Infantry	6	7	2 2/3
- Mechanized	4	4	4 1/3
- Armored	4	4	3

Marines

- Amphibious	<u>3</u>	<u>4</u>	<u>3</u>
	19 1/3	22 1/3	16*

* 1 division not shown consists of armored, air cavalry, and airmobile units.

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Manpower has been cut to a comparable degree. In the last four years we have reduced our forces by more than a million men. They are now one-third smaller. They are at the lowest level since the Korean War, and are nearly half a million below levels prior to the Vietnam War.

About one-third of our general purpose forces are necessarily deployed abroad to provide a capability for responding rapidly to threats to American and allied interests, for guaranteeing the credibility of our joint defense, and for underpinning our diplomacy. The forces remaining in the United States serve as a ready reserve for reinforcing our forward deployments, and for protecting our interests in other parts of the world. The largest portion of our overseas forces is stationed in Western Europe; a smaller increment is stationed in the Mediterranean and Asia.

- Our NATO force in Europe consists of 4 1/3 Army Divisions, 21 Air Force attack and fighter squadrons, and naval units in the North Atlantic.
- In the Mediterranean we maintain two attack carrier task forces and a Marine amphibious group which help protect NATO's southern flank as well as meet non-NATO challenges in this volatile area.
- United States forces in Asia consist of those still supporting operations in Indochina and normal forward deployments not directly related to Vietnam needs. The basic forces include: one Army division stationed in Korea and two-thirds of a Marine division located in Okinawa; ten Air Force and five Marine fighter/attack squadrons distributed in Korea, Japan, Taiwan Thailand, Okinawa, and the Philippines; and three attack carrier forces and two Marine amphibious groups operating in the Western Pacific.

Although NATO deployments have been relatively constant in recent years, Asian force levels are now substantially below those maintained prior to the Vietnam War.

Given our broad requirements, the uncertainty of the current international situation, and the post-Vietnam contraction of our armed forces, it would be unwise to make further unilateral cuts in deployments or significant reductions in overall force levels in the foreseeable future. To do so would raise questions about the adequacy of our force posture to safeguard our interests. The limitations of our current force levels were

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illustrated by the strain placed on our forces as a whole by our effort last year to help counter the invasion of South Vietnam by a small nation with practically no navy or air force.

Obviously, American forces alone cannot balance the strong capabilities of potential adversaries. For this reason our planning under the Nixon Doctrine has emphasized the strengthening of mutual defense by bolstering allied capabilities.

In NATO, it is often forgotten that our allies provide nearly 90 percent of ground forces and the majority of alliance air and naval craft. American ground forces are concentrated in Germany where they constitute over one-fourth of the forces in this vital area. Along with our allies we are taking additional measures to strengthen NATO forces. Expenditures by individual members for force modernization have increased for the third consecutive year, and under the billion dollar five-year European Defense Improvement Program, NATO communications, anti-armor and air defense capabilities continue to improve. United States capabilities are also being improved, and our ground forces are being strengthened by selectively transferring men from support to combat units.

Programs in Asia too have achieved remarkable success in strengthening allied capabilities. In Southeast Asia, progress in Vietnamization was demonstrated by the effective Vietnamese defense on the ground against all-out invasion. In Northeast Asia, South Korean forces are growing in effectiveness as a result of our joint program for modernization, and the Korean economy is now able to support more of the recurring costs of maintaining these forces without hampering normal economic growth.

Our Asian allies are also becoming more self-sufficient in dealing with subversion and guerrilla warfare, which remain a potent threat. As our friends develop greater local and regional military sufficiency under the Nixon Doctrine the need for our direct involvement diminishes. In the meantime, the stabilizing presence of our forces in the area enhances the wider framework of security and gives encouragement to further allied efforts to develop their capacity for self-defense.

In the current delicate international balance of forces, I believe our general purpose forces are now at the minimum level consistent with our safety and our interests. However, as we assess our requirements for the late 1970's and beyond, we will not let the perceptions and experiences of the past drive our planning for deterrence of wars of the future. We will ensure that our planning and doctrine are attuned to the evolving international situation and to our strategic needs in a new era.

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Security Assistance

Many nations in the world whose security we consider important to our own face military challenges, often instigated or supplied by third countries. A stable international system requires that small countries be secure and independent, and that they be able to protect their security and independence mainly by their own efforts.

For this reason, American support of other nations' defense efforts has always been a vital component of our security policy and an essential element in maintaining international stability. In today's multipolar world, and as the United States adjusts its role from one of preponderance to one of sharing responsibilities more widely, this supportive role becomes all the more central to our policy.

As great as our resources are, it is neither possible nor desirable for the United States to pay most of the costs, provide most of the manpower, or make most of the decisions concerning the defense of our allies. Nor, is it necessary. Our allies are determined to meet the threats they face as effectively as possible within the limits of their resources. Under the Nixon Doctrine, our role in our Security Assistance programs is to share our experience, counsel, and technical resources to help them develop adequate strength of their own.

We provide this support through various programs of Security Assistance: grant military assistance to friendly countries unable to afford equipment which is essential to their self-defense; foreign military sales for cash or credit; and supporting assistance, which provides budgetary support to a few key countries to enable them to sustain their economies in spite of unusually heavy defense requirements.

These programs have been a part of our policy for more than 25 years. They have met specific needs in a wide variety of cases. Our programs and means have reflected a careful and continuing assessment of our interests and needs in changing conditions.

The success of these programs is strikingly evidenced by the changes over time in the composition of the program. The growing self-sufficiency and self-reliance of our friends -- which our assistance is designed to promote -- are reflected in the declining necessity for grant aid and the dramatic increase in their ability to take financial responsibility for their defense needs. Our grant military assistance has dropped from over \$4 billion twenty years ago to less than \$1 billion today, exclusive of South Vietnam. Where once our program was almost entirely on a grant basis, today sales make up by far the major portion of the program.

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In 1966 the largest military assistance grants went to the Republic of Korea, Turkey, the Republic of Vietnam, the Republic of China, Greece, and Iran. In 1974, in contrast, Iran will purchase all military equipment, paying fully for everything received. Greece and the Republic of China will receive no grant materiel, and both are turning increasingly to cash and credit sales. The security requirements of South Korea and Turkey continue to require grant assistance, but both are moving toward increased use of credits as their economies continue to expand. The success of our programs in helping South Vietnam and South Korea build capable forces of their own has permitted us to withdraw all our forces from South Vietnam and 20,000 men from South Korea. These are two of the most significant demonstrations of how Security Assistance is precisely what enables allies to take up more of the responsibility for their own defense.

The assistance of the United States cannot be effective unless an ally is willing and able to mobilize its own people and resources for its national defense. No country can escape responsibility for its own future. None of our friends would wish to do so. The encouragement, counsel, and assistance we provide can make a crucial difference to their success.

Resources for National Defense

Managing Modernization. In today's conditions, maintaining modern forces at adequate levels is a major challenge. General purpose forces now take three times as much of the defense budget as strategic forces. Yet the Soviet Union has made significant qualitative improvements in conventional forces, while many of our essential programs have been deferred because of more pressing Vietnam requirements.

A major modernization effort is underway to provide our forces with adequate weapons for the decade ahead. Our national technological base is one of the foundations of our national security. But the continual escalation of weapons costs and complexity limits our ability to exploit all the latest technical advances. Even with adjustments for inflation, weapons today cost, on the average, two to three times more than those ones they replace. Sophisticated equipment is often more difficult to repair. Complexity frequently results in higher operating costs and lower reliability. These trends make it difficult to replace older weapons on a one-for-one basis. But the higher performance of new systems does not always compensate for the severe reduction of flexibility caused by fewer numbers.

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This cost problem is most acute with respect to tactical aircraft. New first-line aircraft are four to five times more costly than the older planes being replaced, primarily because of their sophisticated electronics and fire control systems. The same problem arises in modern ship and ground force systems.

The long lead time for new weapons development has far-reaching implications. It is therefore imperative that proposed programs provide sufficient improvements to justify their expense, and that once adopted they do not exceed planned costs or fail to perform as intended. Unless we improve management performance in this area, we simply will not be able to maintain the minimum force levels necessary to meet the needs of our security without drawing increasingly on funds required for such essential intangibles as force manning, training, and readiness.

We are taking a number of innovative steps to grapple with this problem. In evaluating proposals for increased technical sophistication, more weight is now being given to cost, and greater care is being devoted to assessing the real gain in terms of mission relevance and military effectiveness. In addition, combinations of high and low cost weapons are being developed for major missions. For example, a less costly light-weight fighter is being developed at the same time as the highly sophisticated F-15 fighter. This approach also has been used in meeting diverse ship requirements. Low-cost patrol frigates are being purchased for convoy duties while more expensive nuclear-powered guided missile frigates are being constructed to escort nuclear carriers as part of a rapid reaction task force.

We also are improving techniques for closer monitoring of the development process. Benchmarks have been established for more frequent checking of compliance with cost and performance standards. Operational testing is being emphasized to ensure that new equipment is reliable and effective under combat conditions.

Manpower. Rising manpower costs are one of the most significant factors limiting overall force levels and the resources available for modernization. Even after the large personnel reductions we have made, manpower today takes more than half the defense budget. These rising costs result principally from the effort to make military pay competitive with that of other professions. While the program to attract volunteers and correct past financial inequities is expensive, it is also essential to manning our armed forces at adequate levels.

Our success in attracting volunteers into the services gives us confidence that manpower constraints will not seriously limit the manning of our forces in peacetime. We are now able to support our military strategy without a draft. When I first announced my intention to end the draft, many feared we

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would not be able to maintain the force levels, readiness, and morale needed to support defense needs in an increasingly technical environment. But initial experience under this program suggests these fears were unwarranted. The quality of volunteers has fully met the service needs and compares favorably with the quality in the past.

Current projections indicate that the portion of the defense budget devoted to manpower should stabilize, but the expense of personnel programs will require continuing attention.

Defense Spending. Allocation of resources between security needs and domestic requirements is one of the most difficult tasks of the budgetary process. Though the upward pressures of manpower and weapons costs have complicated the problem, defense spending has leveled off in real terms. As a result, we have been able to shift Federal budgetary priorities markedly from security toward domestic needs. Defense today takes only six percent of our total national output, compared to eight to nine percent in the 1960's. National security once took nearly half of every budget dollar; now it requires less than one-third.

Nevertheless, unless we aggressively meet the management challenge of spiraling weapons and manpower costs, it will be nearly impossible to maintain modern forces at the levels necessary for national security. I have directed the Secretary of Defense to give these matters the most urgent attention.

In the next four years, we will continue to be faced with important choices concerning national priorities. But I am determined that our military power will remain second to none. The experiences of the past four years have confirmed the wisdom and absolute necessity of a strong and committed America in the world. It is the only sound foundation on which peace can be built.

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ARMS CONTROL

The progress recorded in arms control over the past four years has been unprecedented. Four major agreements have been achieved:

- In February 1971, an international treaty was signed that bans the emplacement of nuclear weapons on the seabed or ocean floor.
- In September 1971, the United States and the Soviet Union agreed on a series of measures to reduce the danger of accidental war.
- In April 1972, an international treaty was signed that bans the development, production, and stockpiling of biological weapons and toxins.
- On May 26, 1972, I signed for the United States two agreements with the Soviet Union limiting strategic offensive and defensive armaments.

These accomplishments represent the initial fulfillment of my commitment to limit the most dangerous forms of weaponry as part of our broader objective of moving from confrontation to negotiation. Each of these agreements is important. But their cumulative impact is even greater than their specific merits. They reflect a new political attitude toward arms limitation by the United States and the Soviet Union and within the international community generally.

Arms control has taken on new significance in the nuclear age and represents an important component of national security policy. When this Administration took office there were several factors that suggested an agreement to limit strategic weapons might be attainable:

- In the classical balance of power system, most national leaders were concerned with accumulating geopolitical and military power that could be translated into immediate advantage. In the nuclear era, both the United States and the Soviet Union have found that an increment of military power does not necessarily represent an increment of usable political strength, because of the excessive destructiveness of nuclear weapons in relation to the objective.
- The accumulation of strategic power offered no guarantee of achieving a decisive military advantage, since neither the United States nor the Soviet Union would passively accept a change in the overall balance. Moreover, with modern weapons, a potentially

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decisive advantage requires a change of such magnitude that the mere effort to obtain it could produce a disaster.

- Modern technology, however, offered an apparently endless opportunity for the further sophistication of both offensive and defensive weaponry. In particular, a nation might be able simultaneously to develop offensive weapons that could destroy a substantial number of an opponent's retaliatory forces and a defense that could blunt a retaliatory strike. In such circumstances a high premium would be placed on striking first.
- Neither side could afford to concede an advantage in strategic defense. The gap between the rapid advances in offensive technology and the embryonic state of defensive systems was growing. For a considerable period, therefore, both the United States and the Soviet Union would be vulnerable to devastating attacks. Yet, inherent in new technology is the prospect of enhanced first strike capabilities.

These were the strategic circumstances facing the United States in 1969. They suggested certain principles for our approach to arms control negotiations as an instrument of national security.

- As President, my overriding responsibility is to protect the security of the United States. We had to maintain our strategic weapons programs and develop new ones as appropriate. Unilateral restraint in anticipation of the negotiations would not advance the chances for an agreement; weakness has been the incentive for aggression much more frequently than the arms race.
- Our objective in negotiations would be to reduce the gap between the capability for a first strike and the capability to retaliate. An agreement should help ensure that a first strike could not disarm either side.
- We would seek to gain some control over military technology so that the basic political relationships with the Soviet Union would not be dominated by competition in this area.
- Our objective would be to break the momentum and moderate the process of strategic competition. The basic decisions of war and peace would then remain in the hands of the political leaders and not be dictated by the balance of weapons.

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- Finally, we recognized that any agreement would have to provide equal security to both sides. No agreement was even conceivable if its purpose was to ratify a clear advantage for one side.

These were the principles that evolved in the course of our preparation for negotiation in 1969. They were our basic criteria throughout the talks.

The advances in other areas of arms control have reflected a similar approach. We concentrated on those specific issues where it was possible to make immediate progress so that agreements would contribute to a broader improvement of relations. We looked for areas where we could strengthen the principle of mutual restraint. We decided that progress should not be tied solely to the state of technical or procedural discussions but should take into account the political relationships, especially with the Soviet Union, that would ultimately determine the success or failure of the agreements.

- In 1969-70 we concentrated on banning nuclear weapons from the seabeds, because this was an area where the nuclear powers and the non-nuclear countries had clear common interests and where the political, environmental, and strategic policies offered a chance for early progress. Moreover, by separating nuclear weapons from all other military activities affecting the seabeds, we could crystallize agreement on the aspect most important to control.
- The questions of control over biological weapons and chemical weapons had been linked, although there was no objective reason to do so. We first took a unilateral step by renouncing the use and possession of biological weapons. Then we moved to eliminate procedural questions by proposing the separation of biological and chemical issues, with priority for biological controls. This course ultimately produced a treaty prohibiting biological weaponry.
- The progress in arms control from 1969 to 1972 added to the general improvement in Soviet-American relations and helped to break the deadlock over opening negotiations on the reduction of military forces in Central Europe. Preliminary talks began in Vienna in January 1973 to prepare for formal negotiations this fall.

In preparing for the negotiations on mutual and balanced force reductions in Central Europe we are following much the same pattern as in SALT. We have concentrated initially on a complex technical analysis to illuminate all the individual issues and on that basis to develop basic concepts of reductions.

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We can be proud of the accomplishments of the past four years:

- In an area of overriding importance, we have limited the strategic arsenals of the United States and the Soviet Union and created the conditions for further progress.
- There is now momentum on a broad international front that enhances the prospects for additional agreements.
- In the region of major confrontation in Central Europe the foundations have been laid for serious negotiations to begin this year.

Strategic Arms Limitation (SALT)

On November 17, 1969, representatives of the United States and the Soviet Union met in Helsinki to begin the first discussions on the limitation of strategic armaments. At that time, I characterized the meetings as the "most momentous negotiations ever entrusted to an American delegation." I repeated my pledge, made at the United Nations in September 1969, that the United States would deal with the issues "seriously, carefully, and purposefully" to achieve the goal of "equitable accommodation." We were embarked on a "sustained effort not only to limit the build-up of strategic forces but to reverse it."

The agreements I signed on May 26, 1972, in St. Catherine's Hall in the Kremlin were a major step toward fulfilling this commitment. We had not only succeeded in resolving extraordinarily complex technical issues, but had also raised Soviet-American relations to a new level of mutual understanding. The political commitment reflected in these agreements was a vital element in the broader effort we were engaged in, one that culminated in the Basic Principles of U.S.-Soviet relations agreed upon in Moscow.

Since last May, Government officials have testified before the Congress at length on all aspects of these agreements, and I have discussed them with Congressional leaders. We have fully described what we believe they accomplished and their significance for Soviet-American relations and international security. In this Report certain points are emphasized so that future prospects can be related to the perspective of these past four years.

The Negotiating History. In 1969 there was no dearth of ideas, suggestions, and proposals on how to limit strategic arms and conduct the talks. There was never any question that we would agree to negotiate. The task was to be sure that we had a well-defined position for a negotiation of this magnitude. We had to analyze all conceivable limitations for each of the major weapons systems to understand how they would affect our own and Soviet programs. We also had to determine

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whether we could verify compliance with the limitations and by what means. These building blocks enabled us to examine the strategic interrelationship caused by various combinations of limitations. Then we could go on to identify realistic alternatives and compare them with likely developments should no agreements be reached.

Our aim was to be in a position to sustain momentum in the negotiations. Meticulous preparations for the negotiations gave us the best chance of moving from general principles through specific proposals to concrete agreements. The fact that the agreements on such complex and vital issues were signed only two years after the first specific proposals were introduced by the United States testifies to the value of that approach.

We recognized that there would be deadlocks and that, with national security at stake, frequent high level political decisions would be required. But we wanted to ensure that when deadlocks did occur, they would not be over technical issues, and carefully analyzed alternatives would be ready for my immediate decision.

Certain fundamental strategic factors influenced our preparations and our initial approach to the talks:

- By 1969 the United States had stopped building major new offensive systems in favor of making qualitative improvements in existing systems. We had no current plan to deploy additional Intercontinental Ballistic Missiles (ICBMs), Submarine Launched Ballistic Missiles (SLBMs), or heavy bombers. The Soviet Union, on the other hand, was engaged in a dynamic buildup of both ICBMs and SLBMs.
- At the same time, both sides were only in the initial stages of Anti-Ballistic Missile (ABM) deployment. The Soviet Union had already deployed a small system to protect its capital, while most of the U.S. program was designed to protect our retaliatory forces.
- The United States had aircraft deployed at bases abroad and on carriers, while the Soviet Union had medium and intermediate range missiles and bombers capable of attacking our bases and the territory of our allies.
- There was a vast difference in the composition of the forces on each side. The Soviet Union had several types of ICBMs and was developing two classes of ballistic missile launching submarines. The United

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States had one basic class of ICBMs, a modern and more effective submarine force, and a substantial advantage in heavy bombers.

These asymmetries meant that defining strategic equivalence in individual categories or in a general sense would be technically complicated and involve significant political judgments.

The initial exploratory phase in November-December 1969 produced a general work program. Full negotiations began in the spring of 1970, and both sides outlined comprehensive programs to control a wide spectrum of armaments.

This parallel effort, however, gradually became deadlocked over two major issues. First, should both offensive and defensive limitations be included from the outset? The Soviet Union proposed that the deadlock be resolved by limiting ABM systems only. The United States thought it essential to maintain a link between offensive and defensive limits; we believed that an initial agreement that permitted unrestrained growth in offensive forces would defeat the basic purpose of SALT.

Second, what offensive forces should be defined as "strategic"? The Soviet Union wanted to include all nuclear delivery systems capable of reaching Soviet territory. The United States maintained that major intercontinental systems should have priority in negotiating limitations.

By late 1970 these two issues had blocked further progress. I decided to take the initiative in direct contacts with the Soviet leaders to find a solution. The result of our exchanges was an agreement on May 20, 1971, that we would concentrate the negotiations on a permanent treaty limiting ABM systems, while working out an Interim Agreement freezing only certain strategic offensive systems and leaving aside other systems for consideration in a further agreement.

This left for resolution the precise level of ABMs and the scope of those offensive weapons to be included in an initial agreement. Progress was made during the next year on these matters and on technical questions so that by the time of the summit meeting in Moscow only a few key issues remained.

The ABM solution was to limit both sides to two sites. The United States would continue construction of an ABM site in Grand Forks, North Dakota, for the protection of an ICBM field, while the Soviet Union would have the right to deploy a similar site. The Soviet Union would retain the ABM site already deployed around Moscow, and we would have the right to build a similar site around Washington. Both sides would have essentially the same systems and would

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be limited to an ABM level low enough to preclude a heavy defense of national territory -- the mode of ABM deployment that could be most strategically destabilizing.

Defining which offensive systems would be frozen in an interim agreement proved more difficult. The Soviet Union wished to include ICBMs only. We pressed for the inclusion of both ICBMs and SLBMs. These were active Soviet programs; the purpose of SALT, in our view, was to break the momentum of unconstrained growth in strategic systems. Furthermore, since we had no active building programs in these categories, the numerical gap would widen without an agreement.

A freeze on ICBM and sea-based ballistic missile systems was clearly in the United States interest. I used my direct channel to the Soviet leaders to urge the inclusion of SLBMs in the Interim Agreement. We finally reached agreement in late April 1972 when the Soviet leaders accepted a proposal to place a ceiling on their SLBM force. The final details were negotiated at the summit the following month.

The Provisions of the Agreements. The highlights of the two agreements are as follows:

The ABM treaty allows each side to have 100 ABM interceptors at each of its two sites. The two sites must be at least 800 miles apart in order to prevent the development of a territorial defense. The treaty contains additional provisions which effectively prohibit the establishment of a radar base for the defense of populated areas as well as the attainment of capabilities to intercept ballistic missiles by conversion of air defense missiles to anti-ballistic missiles.

The Interim Agreement on offensive arms is to run for five years, unless replaced earlier by a permanent agreement which is the subject of the current negotiations. This agreement froze the number of strategic offensive missiles on both sides at approximately the levels operational and under construction at the time of signing. For ICBMs, this is 1,054 for the United States and 1,618 for the Soviet Union. Within this overall ceiling, there is a freeze on the Soviet Union's heavy ICBM launchers, the weapons most threatening to our strategic forces. There is also a prohibition on conversion of light ICBMs into heavy missiles. These provisions are buttressed by verifiable provisions and agreed criteria; of particular importance is the prohibition against any significant enlargement of missile silos.

The submarine limitations are more complicated. The Soviet Union is restricted to a level of 740 submarine ballistic missile launchers, some of them on an older type of nuclear submarine. However, they are permitted to build as

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many as 62 modern nuclear submarines and 950 SLBM launchers if -- and only if -- they dismantle an equal number of older ICBMs or older submarine-launched ballistic missiles to offset the new construction. This would mean dismantling 210 older ICBM launchers if the Soviet Union chooses to build up to the SLBM ceiling. The United States gave up no active offensive program.

The Significance of the Agreements. Two questions have been asked concerning these accords.

Do the agreements perpetuate a U.S. strategic disadvantage? Clearly they do not. The present situation is, on balance, advantageous to the United States. The Interim Agreement perpetuates nothing that did not already exist and that could only have grown worse without an agreement. Considering the momentum of the Soviet ICBM and SLBM programs, the ceilings in the Interim Agreement will make major contributions to our national security, while we proceed with negotiations for a permanent agreement.

Our present strategic military situation is sound. The United States is not prohibited from continuing current and planned strategic modernization and replacement programs for offensive systems. The imbalance in the number of missiles between the United States and the Soviet Union is only one aspect. There are other relevant factors such as deployment characteristics and qualitative differences between their system and ours. For example, the Soviet Union requires three submarines for every two of ours in order to keep an equal number on station, though they are testing longer range missiles that would ultimately change this ratio.

The quality of the weapons must also be weighed. We have a major advantage in nuclear weapons technology and in warhead accuracy. And with our Multiple Independently Targetted Reentry Vehicles (MIRVs) we have a 2 to 1 lead in numbers of warheads. Because of our continuing programs we will maintain this lead during the period of the agreement, even if the Soviets develop and deploy MIRVs of their own.

Moreover, to assess the overall balance it is also necessary to consider those forces not in the agreement; our bomber force, for instance, is substantially larger and more effective than the Soviet bomber force.

Thus, when the total picture is viewed, our strategic forces are seen to be completely sufficient.

Will the agreements jeopardize our security in the future? The Soviet Union has proved that it can best compete in sheer numbers. This is the area limited by the agreements. The agreements thus confine competition with the

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Soviets to the area of technology where, heretofore, we have had a significant advantage.

Clearly, the agreements enhance the security of both sides. No agreement that failed to do so could have been signed or would have stood any chance of lasting. As I told the Congressional leaders last June, I am convinced that these agreements fully protect our national security and our vital interests. The Congress accepted this judgment and gave the agreements overwhelming approval.

I am determined that our security and vital interests shall remain fully protected. We are therefore pursuing two parallel courses:

- We have entered the current phase of the strategic arms limitations talks with the same energy and conviction that produced the initial agreements. Until these negotiations succeed we must take care not to anticipate their outcome through unilateral decisions.
- We shall continue our research and developmental programs and establish the production capacity to sustain a sufficient strategic posture should new agreements prove unattainable. This effort also dissuades the other side from breaking the agreements.

These agreements are not isolated events. They are embedded in the fabric of an emerging new relationship, and can be of great political and historical significance. For the first time, two great powers, deeply divided by their values, philosophies, and social systems, have agreed to restrain the very armaments on which their national survival depends. A decision of this magnitude could only have been taken by two countries which had chosen to place their relations on a new foundation of restraint, cooperation, and steadily growing confidence.

The possibility always exists that the agreements will not be respected. We concluded them not on the basis of trust, but rather on the enlightened self-interest of both sides. They contain extensive and carefully negotiated provisions for verification. Beyond the legal obligations, both sides have a stake in all of the agreements that have been signed and the broad process of improvement in relations that has begun.

We are confident that the Soviet leaders will not lightly abandon the course that led to the summit meeting and the initial agreements. For our own part, we will not change direction without major provocation, because we believe our present course is in the interest of this country and of mankind.

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We will remain fully protected as long as we maintain our research and development effort and the strategic programs for modernization and replacement that I have recommended to the Congress.

Future Prospects. In November 1972 the second stage of SALT began. In this new phase we are dealing with those new issues inherent in working out permanent, rather than temporary, arrangements and with some of the problems set aside in SALT I.

There is mutual agreement that permanent limitations must meet the basic security interests of both sides equitably if they are to endure in an era of great technological change and in a fluid international environment. There obviously can be no agreement that creates or preserves strategic advantages. But each side perceives the strategic balance differently and therefore holds differing concepts of an equitable framework for a permanent agreement.

The problem of defining a balance that establishes and preserves an essential equivalency in strategic forces is no less complicated than it was four years ago. It involves the numerical levels of major systems, the capabilities of individual systems, and the overall potential of the entire strategic arsenal that each side can develop.

The impact of unconstrained technological developments in particular must be considered. On the one hand, both sides will want to ensure that their forces can be modernized. They will want confidence in the reliability of their forces and their survivability in foreseeable strategic circumstances. On the other hand, if competition in technology proceeds without restraint, forces capable of destroying the retaliatory forces of the other side could be developed; or the thrust of technology could produce such a result without deliberate decisions. Competition could inexorably intensify to the point that there could be a high premium on striking first.

Thus a major challenge is to determine where a balance of capabilities enhances stability and where it could generate severe competition for advantage in first strike capabilities.

Given the different roads we and the Soviet Union have followed in developing our respective forces, perfect symmetry is not possible. To the extent that one side retains certain technological capacities, the other side must be conceded similar rights or some form of compensation in other areas of technology.

The Soviet Union has deployed a very large and heavy ICBM. The weight this missile can deliver to its target is several times greater than that of our Minuteman ICBM. The entire Soviet ICBM force, therefore, has a "throw weight" approximately four times greater than ours.

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On the other hand, the United States is deploying MIRVs on our Minuteman ICBM and Poseidon while the Soviet Union thus far has not begun such a deployment.

Once MIRVs are developed and tested, however, the greater throw weight capacity of Soviet ICBMs will allow the Soviet Union to deploy a larger number of MIRVs than the United States.

These are the types of extremely complicated issues that arise in defining an essential equivalency. Moreover, verification of limitations on technological capabilities will be extraordinarily more difficult than monitoring limitations on the numbers of weapons.

Nevertheless, there are a number of factors which give us reason to hope for continuing progress:

- The initial agreement provides a foundation of confidence.
- For the past four years both sides have engaged in a dialogue on strategic matters that was inconceivable in 1969. We now understand each other's concerns better than we did then. We have a common language for discussion.
- The limits on ABM systems should provide an incentive for limiting further growth in offensive capabilities.
- At the present levels of strategic forces, small differences in numbers assume less importance.

A further question is the impact of future agreements on other states. We will not make agreements that reduce the security of other countries. Nor can we permit threats to our allies to develop unchecked because of SALT agreements. Such factors do not limit the prospects for further U.S.-Soviet limitations on offensive systems, but they do delimit the area for negotiation.

In sum, a future agreement should:

- establish an essential equivalence in strategic capabilities among systems common to both sides;
- maintain the survivability of strategic forces in light of known and potential technological capabilities;

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- provide for the replacement and modernization of older systems without upsetting the strategic balance;
- be subject to adequate verification;
- leave the security of third parties undiminished.

Mutual and Balanced Force Reductions (MBFR)

Preparations. In June 1968, before this Administration took office, the North Atlantic Alliance made a proposal to begin discussions with the Warsaw Pact on a mutual reduction of forces in Central Europe. Although this overture had met with no positive response, we reaffirmed the Alliance proposal in April 1969. Troop reduction was a concrete security issue, rather than an exercise in atmospherics, and was thus consistent with the general effort to move from confrontation toward negotiations.

At the same time, we found that the idea of mutual reductions had not been systematically analyzed before 1969. The general theories were that it would be possible to maintain security at lower force levels and that force reductions in themselves would enhance the relaxation of political tension.

We decided to follow an analytical approach similar to the one we used for SALT. We investigated the feasible reductions of all the forces that might be involved, analyzed the effect of reductions on the capabilities of each side, and examined the changing balance of forces should the agreements be violated and both sides begin reinforcing. We also studied the verification requirements and how they might affect the possible kinds of reductions.

The following considerations illustrate the complexities of the MBFR process:

- Reductions provide an inherent advantage for the side that has postured its forces along offensive lines: offensive forces would retain the initiative to concentrate and attack, while the defense must continue to defend the same geographical front with fewer forces.
- Major deployments of equipment, especially those with offensive capabilities, are therefore an important element in the reduction process.
- How can equivalence be established between different categories of equipment? What ratios would be equitable?

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- Manpower, of course, is a common denominator to all the forces in Central Europe. In large forces however, reducing manpower may not necessarily be the only important aspect. If manpower is reduced, what becomes of the equipment? Should it be destroyed or reassembled in depots for continuing surveillance?
- Small reductions of manpower cannot be verified except under well-defined and stringent circumstances; demobilization of national forces on their own territory is particularly difficult to monitor except in very large numbers.
- The forces in Central Europe are both indigenous and "foreign" but this is a political as well as a military distinction. Should all forces be treated equally? If so, what compensation is necessary for the fact that the United States would withdraw its forces across the Atlantic, while the Soviet Union would withdraw only several hundred miles?
- Following actual reductions, control on the reintroduction of forces into the area for maneuvers or for replacements needs to be considered along with related verification requirements.
- How quickly each side could restore its forces to a pre-reduction level through mobilization and reinforcement becomes a significant factor. Compensation for advantages that one side may have should be considered.

As in SALT, the analysis of such questions provides us with the building blocks which can be put together in different ways to help us understand the implications of different reduction processes:

- Proportionately equal reductions. Each side would apply a common percentage to reduce its forces. This appears to be a simple but equitable approach. If applied to all forces, however, it could create an imbalance because it would favor the offense and because of the geographical advantages of the Warsaw Pact.
- Reductions to equal levels. This would in effect produce a common ceiling for Central Europe. There would be some unequal cuts in absolute numbers, but the residual capabilities would be more balanced and offensive potential would thereby be reduced.

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- Mixed, asymmetrical reductions. This means reductions would be made by different amounts in various categories of weapons or manpower. It could prove extremely complex to define equivalence between different weapons systems.

We have now completed our technical evaluation. We understand the major issues related to actual reductions and which approaches are realistic. We have shared the results of our studies with our NATO allies and have contributed to studies within the Alliance.

Allied Consultations. We now enter the final and most important stage in building an Alliance position. In addition to the completion of technical studies and diplomatic plans, we face one basic question: what security concept will the Alliance follow in developing its position for the negotiations next fall?

The Alliance is committed to "undiminished security" in the MBFR process, but we must agree on what this means in concrete terms. Different political viewpoints shape the attitudes of each ally, especially if its forces or territory may be involved. Issues of this magnitude could become divisive if there were no common concept. The Alliance must approach force reductions from the standpoint of their effect on military security in a period that may be marked by a further amelioration of tensions. Some of the key questions are:

- How do we reconcile reductions in roughly balanced conventional forces with the fact that the strategic balance is no longer clearly favorable to the Alliance?
- What are the capabilities to sustain a conventional defense of NATO territory with reduced forces?
- Could a substantial reduction in conventional defense lead to a greater or earlier reliance on nuclear weapons?
- Can reduced forces be maintained and improved in the present political environment?
- What would be the net effect of a new balance in Central Europe on the flanks of NATO?
- How would reductions affect the relative burdens of American and European forces?

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To deal with these kinds of issues effectively, the Alliance must first set its security goals and relate them to technical MBFR analysis. Then, however the negotiations may unfold, the Alliance position throughout will be determined by a common concept of security rather than by negotiating tactics or abstract political formulas. We can then rationally address the questions of which forces and equipment should be reduced and by what amounts. We can translate our technical analysis into detailed proposals that both protect our interests and offer the other side a proposal for reductions that will enhance military stability in the heart of Europe.

Our security and that of the Alliance is inextricably linked. We will pursue these negotiations in full agreement with our allies. We will negotiate with the same dedication we displayed in SALT. We will also observe a fundamental principle of those talks: we will not enter into agreements that undermine international equilibrium or create threats to other countries.

Other Arms Control Issues

During the past year we have pursued arms control on several multilateral fronts.

Biological Arms Control. On April 10, 1972, the United States, the Soviet Union, and over 70 other nations signed an international treaty banning the development, production, and stockpiling of biological and toxic weapons and requiring destruction of existing stocks. The treaty has now been signed by more than 100 nations. I submitted it to the Senate on August 10, 1972, for advice and consent. Meanwhile, we are taking steps to implement some provisions.

The facilities that once produced these weapons are now doing research for peaceful purposes. The former biological warfare facility at Pine Bluff Arsenal in Arkansas has become a center for research on the adverse effects of chemical substances in man's environment. The former military biological research facility at Fort Detrick, Maryland, now houses a national center for cancer research. Scientists from all nations are being invited to share in the humanitarian work of these centers.

Chemical Arms Control. This Administration remains firmly committed to achieving effective international restraints on chemical weapons.

During the past year the United States played a leading role in the discussion of chemical weapons controls at the Conference of the Committee on Disarma-

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ment in Geneva. We presented a comprehensive work program on the prohibition of chemical weapons and several technical studies of this subject.

The basic problem is that several nations may have these weapons and the capacity to produce them is widespread. It is exceedingly difficult to verify existing stocks, let alone their reduction, or to distinguish between civilian and military production. Furthermore, however remote the threat may be that any nation would use chemical weapons offensively, that threat must be countered with certain defensive capabilities.

The major issue is whether competition will continue or whether, as in SALT, some partial measures can be adopted to facilitate more comprehensive measures.

Comprehensive Test Ban. The United States has continued to support the objective of an adequately verified agreement to ban all nuclear weapons testing.

Some countries maintain that national means of verification would be sufficient to monitor such a ban with confidence. We disagree. Despite substantial progress in detecting and identifying seismic events, including underground nuclear tests, we believe that national means of verification still should be supplemented by some on-site inspection.

The United States shares the view of many other nations that an adequately verified comprehensive test ban would be a positive contribution to moderating the arms race. For this reason we are giving high priority to the problem of verification. We will continue to cooperate with other nations in working toward eventual agreement on this important issue.

* * * * *

The responsibility for controlling arms does not rest with the great powers alone. As the United States and the Soviet Union seek to curb the nuclear arms race, and the nations with forces in Central Europe seek to reduce conventional forces, other countries should develop regional arms control arrangements which will enhance mutual security and reduce the danger of local conflicts. External powers should respect such arrangements by restricting the flow of weapons into such areas. The United States is prepared to do so.

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THE UNITED NATIONS

In this increasingly interdependent world, a more effective United Nations continues to be an important goal of our diplomacy. There is no inconsistency between our search for a better equilibrium among the major powers and our commitment to global cooperation through worldwide institutions. Success in adjusting and improving big power relationships should reinforce the multilateral framework in which all nations can work together in dealing with worldwide problems.

We should not exaggerate the present capacity of the United Nations for strong action, particularly in the field of peace and security. But neither can we discount or ignore the significant and constructive role that multilateral organizations can and do play in coping with matters of world interest. What is essential is to discern how and when the United Nations can act effectively for the benefit of mankind. This Administration, like its predecessors since the founding of the United Nations in 1945, is committed to strengthening the world organization as a dynamic instrument for constructive international action.

Maintaining the Peace

The capacity of the United Nations to reconcile political disputes and curb outbreaks of violence is limited, depending as it does on the willingness of members to utilize its machinery and, in particular, on the attitudes of the permanent members of the Security Council. This was starkly illustrated by the inability of the Security Council to act in the India-Pakistan conflict in December 1971, when Soviet vetoes frustrated ceasefire resolutions which had the support of an overwhelming majority of members. Differences among the major powers on the authorization, conduct, and financing of peace-keeping missions have yet to be resolved, but improvement of relations among these powers may enable the United Nations to act more effectively in the future. In view of America's objective that responsibilities for maintaining peace be widely shared, the strengthening of the United Nations peace-keeping role is an important goal of American policy.

A way must also be found to assure the continuous representation on the Security Council of those states whose resources and influence could facilitate the Council's action. Any formula for such a restructuring of the Council, however, should not result in an unwieldy body whose operations would be slower and more uncertain than they now are.

We believe that Security Council procedures must be improved. A far greater effort must be made to base decisions on impartial fact-finding. It is

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also imperative that the Council not allow itself to be used for the blatant promotion of the views of one party while that party is in negotiations with another, as happened during the meetings in Panama in March 1973. At the time, we said that this was an unwise and improper use of the Council; the atmosphere of the meeting and its outcome showed that our misgivings were justified.

The Human Rights Dimension

The Universal Declaration of Human Rights guides our actions in the United Nations to ease the plight of those whose basic rights have been denied. Our stand against apartheid and other forms of racism has been clearly articulated in many United Nations forums. Our commitment to the basic rights of freedom of movement has caused us to speak out in the United Nations against restrictions on the right to emigrate.

In other areas of human rights concern, our United Nations representatives have played a leading role in promoting the development of new rules for the observance of rights in armed conflicts. Responding in part to initiatives taken in the United Nations, the International Committee of the Red Cross (ICRC) held a series of consultations of experts to frame proposals for enlarging the protections now provided in the four Geneva Conventions on war victims, including prisoners of war. The ICRC's proposals will be submitted to an international conference for the adoption of new protocols to the Geneva Conventions.

Decolonization

Much attention in the United Nations continues to be focused on colonial issues. We support self-determination for all peoples. But we have made clear that in supporting this objective we cannot condone recourse to violence or interference across established frontiers. We do support proposals which encourage communication and peaceful change. But we view with concern the efforts to give formal international status to insurgent movements that are still contesting for territorial control. The United Nations is an organization of established governments founded to bring parties together and to work for peace. We cannot accept its use as an arena for sanctifying the use of force. It is not in the spirit of the United Nations Charter.

International Order

The rule of law in a world beset by global problems must of necessity be a matter of priority for the United Nations. We cannot limit armaments, exploit the seas' riches, travel through the skies and the seas, control narcotics trafficking, or combat terrorism unless international legal norms are created

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and universally respected.

Despite the obvious urgency of some of these problems, the United Nations has failed to address many of them seriously. On hijacking, members of the International Civil Air Organization continue to balk at the prospect of the tough measures needed to curb air piracy. The failure of the 27th General Assembly to take effective action to combat international terrorism was a major disappointment.

The world community suffers when its most respected international institution fails to deal with elementary questions of international order. Even so, those who wish an orderly world must persevere in their efforts to achieve United Nations action to these ends. United Nations conventions on narcotics and earlier hijacking conventions are examples of what can be done by a united world community.

The United Nations System

Controversies in the United Nations over questions of peace and security have often overshadowed other ongoing activities of the organization. The United Nations plays an important, if less dramatic, role in transferring skills to the developing nations and in dealing with a variety of worldwide problems brought on by the quickening pace of social and technological change. It is well to recognize that the United Nations is a system of interlocking organizations and that more than nine-tenths of its resources are devoted to activities in the economic, social, technical, and scientific fields.

These functions, which we have encouraged and continue to support, encompass virtually every transnational government activity. They include promoting disarmament, assuring the safety of civil aviation, combating epidemics, protecting the environment, checking the illicit flow of narcotics, setting guidelines for the orderly exploitation of seabed resources, providing technical assistance to developing countries, and organizing relief for victims of disaster.

About one-fourth of the United Nations system's expenditures for these purposes are devoted to activities of a regulatory, standard-setting, or exchange-of-information character. They are, in effect, global public services managed by the United Nations system for the world community. The remaining three-fourths finance economic, social, and technical activities to assist the less developed areas of the world. In an interdependent world these activities are inseparable from more traditional actions to promote peace and security.

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Within the United Nations system, a dozen bodies are involved in the effort to reduce the gap between the rich and poor nations. The most important of these is the United Nations Development Program (UNDP), the world's largest technical assistance program. This vital and successful activity of the United Nations merits our continued and substantial support.

The world community's development efforts cannot make major headway unless the present rate of population growth is slowed. We will continue to support the United Nations Fund for Population Activities and other UN agencies in addressing this critical world problem, while also maintaining our bilateral programs. We particularly welcome the UN decision to designate 1974 as World Population Year and to convene a World Population Conference.

United Nations specialized agencies are playing an important role in the multilateral response to the challenges of protecting the environment. The World Meteorological Organization (WMO) is helping to monitor the earth's atmosphere; the UN Educational, Scientific and Cultural Organization (UNESCO) is conducting basic environmental research; the International Maritime Consultative Organization (IMCO) is implementing rules governing the discharge of oil at sea; and the Food and Agriculture Organization (FAO) is conducting programs dealing with soil salinity and soil erosion. At United States initiative the General Assembly created a United Nations Environment Fund and institutional arrangements to direct and coordinate global action to lend further impetus to these environmental activities.

The United Nations is increasingly providing the means for a truly international response to tragedies and disasters around the world. This relatively new and very important activity of the UN system deserves the fullest support.

The role of the International Atomic Energy Agency (IAEA) in administering the program of safeguards on the use of nuclear materials under the 1970 Non-Proliferation Treaty is an essential contribution to international security.

The world values and needs these many services of the United Nations system. But all of them are increasingly costly. It is essential that they be performed -- and it is also essential that they be performed in the most efficient and economical manner possible. The ongoing improvement of UN management practices will continue to receive priority support and emphasis from the United States.

Our Participation in the United Nations

The United States played a leading role in the founding of the United Nations

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in 1945, and has been a leader in providing political and financial support. Many Americans may have thought of the United Nations as an "instant world government" that could somehow attack and solve all the problems and ills of the world. But it must be recognized that the United Nations is a body of 132 member states, each maintaining its sovereignty and pursuing its own national interests. Only when there is a broad consensus does United Nations action become possible.

The United States takes seriously its obligations under the United Nations Charter. Except for imports of small quantities of certain strategic materials exempted by U.S. public law -- accounting for no more than a minute percentage of Rhodesia's exports -- the United States, unlike many others, adheres strictly to the UN program of sanctions against Rhodesia. Many in the United Nations challenged our observance of sanctions. But there should not be a double standard which ignores the widespread, substantial -- but unavowed -- non-observance of sanctions by others.

In last year's Report, I stated that "prudence and political realism dictate that no one country should be assessed a disproportionate share of the expenses of an organization approaching universality in which each member, large or small, has but one vote. That is particularly true when experience has shown that the major contributing countries are unable to exercise effective control over the UN budget." I therefore announced that it would be our goal to negotiate a reduction in our United Nations assessment from 31.5 percent to 25 percent of the organization's budget. This idea was not at all new; in fact, in 1946 Senator Arthur Vandenberg argued in favor of a U.S. assessment of 25 percent. This figure was also cited as desirable by the Lodge Commission on the United Nations in 1971, and it was endorsed by the United States Congress in 1972.

On December 13, 1972, by an overwhelming majority vote, the United Nations initiated action to reduce our assessment to 25 percent as soon as practicable. This step, which required the agreement of other members, can only result in a strengthened United Nations, in which the costs of membership are more evenly distributed.

We have continued to be generous in voluntary contributions to a variety of programs, including the United Nations Development Program, UNICEF, and the United Nations' funds on population activities, the environment, and narcotics control.

Living Together

Unable to retreat into isolation in a world made small by technology and shared aspirations, man has no choice but to reach out to his fellow man.

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Together we must build a world order in which we can work together to resolve our common problems. That is what the United Nations is all about. If we sometimes appear to be criticizing rather than praising the United Nations, it is because we need it and want to make it a dynamic instrument for promoting a lasting peace.

The commitment of this Administration to the strengthening of international institutions remains firm. We stand ready to cooperate with all United Nations members, large and small, in enhancing the capacity of the United Nations to deal as effectively with problems of peace and security as it does with economic and technical questions.

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THE GLOBAL CHALLENGES OF PEACE

Our purpose in building a structure of peace is not simply to prevent the outbreak of war. We also seek to foster a new spirit of cooperation among nations in meeting urgent problems that face the whole human family. Some of these can be welcomed as opportunities, such as the use of the oceans and the exploration of space. Others are vexing problems, including pollution, international terrorism, and drug abuse. But all transcend ideology and parochial conceptions of national self-interest. They involve the world's interests and the entire world community must work together on them.

Since taking office, this Administration has sought ways to focus world attention on these issues and to propose measures for resolving them. Substantial progress has been made in a number of areas, but in all areas much more remains to be done before we can feel we have effectively met the global challenges of peace.

The Oceans

As man's activities in the oceans intensify, the need for international accommodation is clear. Serious efforts are now being made in the United Nations to work out new rules and develop institutions to ensure the rational future use of the marine environment. If these efforts are successful, mankind's development of the sea frontier can proceed without the destructive national rivalries that characterized the earlier race for land empires. But if the effort fails, conflicting claims and bitter international disputes are inevitable.

As a major maritime power and a leader in ocean technology, the United States has a special responsibility for this international effort to reach agreement on the peaceful use of the world's oceans. Together with more than 90 other nations, we are making intensive preparations for a comprehensive Law of the Sea Conference called for by a resolution of the United Nations General Assembly. We have introduced detailed proposals relating to the seabed and seabed resources, living marine resources, the breadth of the territorial sea, and freedom of transit through and over international straits. These proposals are designed to accommodate the diverse interests of many nations and to permit all to use the seas more effectively and harmoniously.

An early and successful Law of the Sea Conference is essential. The demands on such a Conference will be intense if an effective new law of the sea treaty is to be realized. Each nation will have to identify with care its vital interests in the use of the world's oceans and their resources, and to enter the negotiations ready to seek accommodation of potentially conflicting national interests.

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The United States shares, to a greater or lesser degree, all the fundamental interests being weighed in these negotiations. We have a crucial stake in ensuring that essential high seas freedoms are maintained. We also have important interests in the areas off our coasts. Some 80 percent of all U.S. fishing is conducted in adjacent coastal waters, and offshore oil production is nearly 20 percent of the U.S. total. We are also concerned with protecting our coastline and coastal waters from pollution and otherwise preserving the marine environment.

Territorial Seas and Straits. The United States has presented to the UN Seabed Committee draft treaty articles providing for:

- a territorial sea with a maximum breadth of 12 nautical miles, together with and conditional on
- a right of free transit through and over straits used for international navigation.

We firmly believe that 12 miles represents the only figure on which general agreement among nations is possible, and there has been growing consensus on this view in the international community.

Many straits used for international navigation are less than 24 miles wide. Twelve-mile territorial seas might thus overlap. Accordingly, the United States has made a provision for a specific right of "free transit" a condition to our agreement to a 12-mile territorial sea. This would preserve the right of transit through and over international straits for ships and aircraft. The U.S. proposal is designed to accommodate the concerns of nations bordering such straits with respect to traffic arrangements and pollution control.

Until the right of free transit is established, the prevailing law in international straits will continue to be that of "innocent passage." Under the 1958 Geneva Convention on the Territorial Sea and Contiguous Zone, aircraft do not have a right of overflight and submarines exercising innocent passage must navigate on the surface. Moreover, coastal states may give their own interpretation to "innocent" passage. In these circumstances, the right of innocent passage is no longer adequate to ensure free transit through and over international straits.

Marine Resources. All coastal states have strong interests in the living and non-living resources off their coast. Accordingly, any new law of the sea convention should provide for certain coastal state economic rights beyond the territorial sea. But the nature and extent of those rights is fundamental and must be carefully defined.

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The regime for the deep seabed area beyond national jurisdiction, which is the common heritage of all mankind, should provide developing as well as other countries with the opportunity to take part in and benefit from deep seabed exploitation. It should also provide reasonable and secure investment conditions for countries whose capital and technology make such exploitation possible.

With respect to marine resources generally, the United States is willing to agree to broad coastal state economic jurisdiction beyond the territorial sea as part of a satisfactory overall law of the sea settlement. But this management jurisdiction over mineral resources and fisheries should be tempered by international standards that respect the interests of other states and the international community.

Internationally-agreed limitations on seabed resources should include:

- Standards to prevent unreasonable interference with other uses of the ocean, to protect the oceans from pollution, and to safeguard the integrity of investment;
- Sharing of revenues for international community purposes; and
- Compulsory third-party settlement of disputes to help reduce the potential for conflict.

Effective harvesting of the oceans' fishery resources, consistent with sound conservation, will be required if the nations of the world are to realize the potential of fish as a major source of protein-rich food. With both a coastal and distant water fishing industry, the United States has incentives to work toward a multilateral fisheries agreement that takes into account the world's supply of fisheries resources as well as the differing interests of coastal and distant water fishing nations.

We believe coastal states should have special management authority and preferential rights with regard to fisheries stocks in their coastal waters or those that spawn in their rivers. We have proposed to make these rights correspond to the biological characteristics of the fish involved. Our proposal provides for broad coastal state jurisdiction and preferences over coastal and anadromous fisheries, such as salmon, beyond the territorial sea, with international standards for conservation, maximum utilization, equitable allocation, and compulsory third-party settlement of disputes. On the other hand, our proposal provides that highly migratory fish, such as tuna, would be regulated by

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international organizations in which all interested fishing and coastal states could participate. We have suggested that during the law of the sea negotiations a formula be devised to determine what part of the allowable catch is to be left to traditional distant water fisheries.

If nations are to continue to gain the knowledge required for fuller, wiser use of the oceans, maximum freedom of scientific research must be maintained, and developing countries should participate. The United States has also proposed that the Law of the Sea Conference develop draft treaty articles on marine pollution to ensure that man's uses of the oceans pose minimal risks to the marine environment.

The past year saw encouraging signs that the international community as a whole is beginning to understand the pressing need to accommodate these diverse interests. This process must continue and the United States will continue to work with other concerned nations to meet this challenge.

Outer Space

Man's ventures into outer space provide a natural arena for international cooperation. Such cooperation is not merely helpful; in some cases it constitutes the only practical means of realizing the potential of space.

This Administration has worked through both governmental and non-governmental organizations to realize the technical, economic, and other benefits offered by space activities. We are also trying through both bilateral and international channels to develop sound and equitable legal arrangements to govern such activities.

Our dramatic moon expeditions were almost exclusively national ventures, but they provided opportunities for significant international involvement. Many experiments developed in foreign laboratories were carried to the moon by our Apollo spacecraft and more than a hundred foreign scientists shared in the analysis of the lunar samples our Astronauts brought back. We are now discussing international participation in our post-Apollo space program, including plans for a possible joint aeronautical satellite experiment.

The American capability for launching payloads into orbit has also made possible a wide range of joint space efforts. To date, we have launched sixteen satellites developed by other countries or by international organizations. I announced last October that the United States would provide launch assistance

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on a non-discriminatory, reimbursable basis to foreign countries and international organizations for any space project undertaken for peaceful purposes and consistent with relevant international arrangements. This policy extended to other nations the assurances we had given earlier to member states of the European Space Conference.

The Earth Resource Technology Satellite (ERTS) program of the United States is a particularly significant example of international cooperation in space. The program is designed to develop ways to use satellites in geological, hydrological, agricultural, and oceanographic surveys, in pollution monitoring, and in other types of resource utilization planning. Ninety projects from 37 nations and two international organizations are included in the present research program. The first ERTS satellite was launched in July 1972. Several earth resource survey experiments, including some proposed by other countries, will be conducted by the manned Skylab spacecraft. An additional unmanned experimental satellite is also planned.

After years of intensive negotiations, an international satellite telecommunications consortium of 83 nations, known as Intelsat, has come into existence. Intelsat is a unique multinational venture responsible for a worldwide network of satellite telecommunications.

The United States continues to play an active role in United Nations space affairs, particularly the Outer Space Committee. International acceptance has been secured for the 1968 Astronaut Rescue and Return Agreement and for the 1972 Space Liability Convention. Work is also going forward on treaties covering the moon and other celestial bodies, and on registration of space objects.

The past year also marked a significant milestone in U.S.-Soviet space cooperation. The Space Cooperation Agreement which I signed in Moscow on May 24, 1972, provides for a variety of cooperative activities, including a joint docking mission of Soviet and American spacecraft in 1975.

Further opportunities lie ahead, including possible international cooperation in the use of a space shuttle and the development of basic international understandings regarding earth resource surveys. We will shape our response to these and other challenges in ways that enhance the prospects for the peaceful use of outer space in the interest of all mankind.

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International Exchanges

Political relations among nations are increasingly influenced by the growing range of unofficial contacts between individuals and groups in the modern world. The increase in economic and scientific interdependence, the growth of new transnational communities based on common interests and concerns, the global reach of communications, and the upsurge in travel have all radically altered the environment in which national governments develop and pursue their policies.

U.S. foreign policy has kept pace with these changes. Our policies and programs have been responsive to the opportunities. For example, as a result of agreements made last year in connection with my visit to the Soviet Union, the American and Soviet peoples are now working more closely in a host of areas -- exchanging reactor scientists, sharing research findings in heart disease, cancer, and environmental health, cooperating in nearly 30 environmental projects, collaborating in the use of computers in management, and planning joint probes into space. Cultural groups and performing artists ply between the two countries in increasing numbers. Similar exchanges are occurring with the People's Republic of China. In the past year, Chinese table tennis players, physicians, scientists, and acrobats have visited the United States, and businessmen, doctors, journalists, educators, scientists, and scholars from this country have gone to China.

Scientific, educational, and cultural exchanges between the United States and scores of other countries are also steadily increasing, under both official and unofficial auspices. These have helped open up new levels of dialogue with present and prospective leaders in much of the world.

These expanding contacts of millions of American citizens and hundreds of American organizations with their counterparts abroad must increasingly influence the way others see us and the way all societies see themselves. These trends are not a panacea but they are contributing to a climate of understanding in which governments can pursue the adjustment of official relationships. They also afford the individual citizen meaningful ways to help build the structure of peace which is America's goal.

International Hijacking and Terrorism

Just when prospects for peace among nations are stronger than at any other time in recent decades, a new form of lawless violence is spreading like a cancer through the international community. Acts of politically-inspired

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terrorism against innocent persons and against commercial aircraft and other targets have increased sharply in recent years. The means chosen by these terrorists are often completely unscrupulous and their destructive effects indiscriminate. Terrorism threatens not only the safety and well-being of individuals around the globe but even the stability of some societies.

Crimes against civil aviation continue to be a major threat. The number of aircraft hijackings has grown throughout the world since the first such incident, the diversion of an American plane to Cuba in May 1961. Aircraft of nations representing the full range of the political spectrum have been affected, including Soviet, Israeli, German, Belgian, British, Mexican, and American planes.

Terrorists have also struck in many other ways. More than 100 letter bombs have been sent through the international mails. A wave of diplomatic abductions began in August 1968 when terrorists tried to kidnap the U.S. Ambassador to Guatemala, and killed him in the process. Since then, 17 diplomatic kidnapping attempts have occurred in the Western Hemisphere alone. The recent murders of one Belgian and two American diplomats in Khartoum underscore the global dimension of the terrorist problem.

The United States, in consultation with other governments, has tried to curb this rising tide of international crime and gangsterism. Over the last ten years we have pressed for adoption of international conventions to deal with skyjacking. Three multilateral agreements are now in force:

- The 1963 Tokyo Convention, which requires states to return hijacked aircraft to the control of their lawful commanders and to facilitate continuation of air journeys interrupted by violence;
- The 1970 Convention for the Suppression of Unlawful Seizure of Aircraft, which obligates states either to prosecute or extradite suspected air hijackers found in their territory; and
- A companion convention, the 1971 Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation, which deals with sabotage and other terrorist attacks against civil aircraft.

We are working for the adoption of another international convention which would establish procedures for possible sanctions, including suspension of air service, against countries which fail to punish or extradite hijackers or saboteurs of civil aircraft.

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We took an important bilateral action on February 15, 1973, when we entered into an agreement with Cuba whereby each agreed to extradite, if it did not punish, individuals involved in hijacking.

The United States has also pressed for concrete results in the United Nations to deal with international terrorism generally. We welcomed Secretary General Waldheim's proposal that the UN General Assembly consider this subject, submitted a draft convention, and called for discussion. Some UN members, while sympathetic to the need for quick actions, emphasized the difficulty of defining terrorism and devising international arrangements to deal effectively with it. Some sought to sidetrack the debate. The General Assembly set up an interim working group to study the question in depth.

The Assembly also considered draft articles on the protection of diplomats and agreed to solicit member states' comments with a view to completing action on a convention at its 1973 session. We will do our utmost to secure General Assembly acceptance of this convention this year.

In INTERPOL, the mechanism for international cooperation in criminal police work, we have sought the maximum exchange of intelligence among participating countries with respect to cases of hijacking and acts of terrorism.

We have addressed these problems at home as well. The Cabinet Committee to Combat Terrorism, which I established last September, reviewed existing procedures and adopted new measures where necessary to ensure that our Government could take swift and effective action in diplomatic, intelligence, and law enforcement channels. We have already improved our methods for screening aliens entering or transiting the United States and have taken additional precautions for the protection of foreign diplomatic missions and personnel in the United States.

The international community should examine the political causes of terrorism and seek to remedy any legitimate injustices. But political passion, however deeply held, cannot be permitted to wreak criminal violence on innocent persons. As I have made clear in the past, the United States Government will not submit to terrorist blackmail. We will continue to work vigorously to deter and prevent terrorist acts and to punish those who perpetrate them.

Control of Drug Abuse

As part of our drive to meet the deadly menace of narcotics abuse, this Administration remains committed to an unrelenting global struggle against illicit drug traffic.

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The Cabinet Committee on International Narcotics Control, which spearheads U.S. drug control efforts overseas, requested our ambassadors in each of 59 countries to prepare narcotics control action plans. These were reviewed early in 1972 in Washington and returned to our embassies to serve as the basis for negotiating bilateral narcotics control programs.

By letter of February 16, 1972, I advised the appropriate Chiefs of Mission that the most essential element in such programs was to convince leaders of countries where drug production and trafficking occur to commit their governments to attacking the narcotics problem with urgency and determination. Last September, at a special Washington conference of senior U.S. narcotics control officers from around the world, I emphasized my readiness under the provisions of the Foreign Assistance Act both to assist cooperating countries and to suspend economic and military assistance to any country which fails to take adequate steps against illicit drug traffic. By mid-year, our embassies had initiated discussions with all target countries, and since then they have concentrated on the implementation of cooperative action programs.

The results of our international anti-drug effort have been most encouraging. Worldwide seizures of heroin and morphine base tripled in 1971 and nearly doubled again in 1972. In 1972 some of the most important figures in the world drug traffic were arrested, and a number of high level traffickers were extradited to the United States from other countries. Five heroin laboratories in the Marseilles area were shut down by the French authorities during the year. Steps have been taken, particularly in Laos and Thailand, to tighten controls on drug smuggling from Southeast Asia. We have cooperated with other countries in drug treatment, rehabilitation, and education efforts, and in crop substitution and eradication measures. The Turkish ban on opium cultivation, for example, has been implemented resolutely. Multilateral efforts to fight illicit narcotics production and trafficking have also received full U.S. support. This country has been the chief contributor to the United Nations Fund for Drug Abuse Control, which has started narcotics control programs in Thailand and Afghanistan. And we have initiated proposals to amend and strengthen the Single Convention on Narcotics Drugs.

With more and more countries now working to stop drug trafficking, seizures and arrests are up dramatically both here and abroad. This progress has helped to reduce the illicit drug supply in the United States. During 1972 the price of street level heroin in the eastern half of the country rose sharply, the quality declined, and new users had difficulty locating sources of supply.

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These gains notwithstanding, a sustained vigorous campaign is still required against what has become one of the most serious of the world's social ills. The United States will continue to provide leadership in that worldwide campaign.

Population

Twenty years ago the world's population was less than 2,600,000,000. Today it is more than 3,800,000,000. In just these two decades, the human family has increased by nearly half the total population attained in all the millennia before. In most of the developing countries, populations will double in the next 20 to 28 years.

Rapid population growth burdens and retards development, accentuates malnutrition and unemployment, and crowds cities with slums. These effects are felt particularly in developing countries. For developed and developing nations alike, population pressure constitutes one of the principal threats to the environment. Too many people scrambling for cultivable land and resources are a danger to international peace, and this danger may sharply increase as populations double and treble in coming decades.

Efforts to moderate population growth are having important, if limited, success around the world. Many countries have already undertaken measures to bring rapid increase under control; others have national programs to provide family planning services to their people. The United States now provides bilateral assistance for such activities in 36 countries. We also contribute to the United Nations Fund for Population Activities, which supports programs in 76 countries, and to the International Planned Parenthood Federation, with programs in over 40 countries.

At the Second Asian Population Conference in Tokyo last November, the United States joined 22 other countries in calling on governments to establish goals and programs for effectively controlling population growth, and to provide family planning information, education, and services to all their citizens as soon as possible.

In order to focus international attention on the vital problem of world population growth, the United Nations has designated next year as World Population Year. A World Population Conference has been called for August 1974. I believe information and action programs undertaken as part of the observance can be a valuable means of furthering appreciation of population problems and

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of generating more resolute action by nations to solve them. The United States will cooperate fully with the United Nations in observing the year and working to make the World Population Conference a success.

It is imperative that the nations of the world reach agreement on means for dealing effectively with this global problem.

Energy

Satisfying the world's energy requirements over the next several decades is a matter of urgent concern to the United States and other nations. Important factors include a rapidly increasing demand for energy, the need to choose among alternative new sources, the costs of developing these sources, and the strong emphasis on environmental protection which limits the use of many energy forms.

One major problem that will face us during the next two decades will be ensuring an adequate supply of energy from secure sources at reasonable prices. This task will require broad cooperation between consumer and producer nations. It will have a major impact on international trade and finance.

This Administration has recognized the need for adjustment in our policies to meet the demands of the changing energy scene. Domestically, we plan to accelerate the development of our own oil and gas resources, including those on the Outer Continental Shelf and in Alaska, in a manner consistent with national interest and conservation. We have worked, as appropriate, with U.S. private enterprise in its efforts to develop new foreign sources of oil and natural gas, including Soviet and Algerian sources. We have been kept informed by our petroleum industry concerning its negotiations to develop new relationships with the world's major oil producing countries. Finally, we are investigating ways in which closer cooperation among producers and consumers could result in an adequate supply of oil and natural gas throughout the world -- with due regard for the interests of consumers and producers alike.

We are maintaining our support for the development of nuclear energy, which has proven to be an economically viable alternative to more traditional fuels for the generation of electric power. In all aspects of U.S. cooperation with other nations in the nuclear energy field, however, we continue to insist on satisfactory safeguards against the diversion of nuclear materials from civilian use to the production of weapons.

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We are also considering the feasibility of developing other alternative sources of energy -- the gasification of coal, recovery of oil from shale, and the utilization of solar and geothermal resources.

In my recent energy policy statement, I announced several modifications in our domestic policies, and a major increase in funding and renewed emphasis on research and development programs aimed at creating alternative sources of energy. I am confident these programs will make possible the rapid expansion of domestic energy supplies that may be needed in the future.

The energy problem will also have major impact on our national security and foreign policy planning. Potential vulnerabilities could be created for the United States and our allies as we increase our energy imports in coming years. We will continue to consider these problems and design programs to alleviate them.

The shifting energy scene is a major challenge for international cooperation. These new common problems could introduce strains into our relations with other countries. But they also create new opportunities for close cooperation that could ultimately bring countries closer together.

Cooperative research efforts with other nations can do much to speed the development of new forms of energy. Such cooperation in this difficult and expensive process is of mutual advantage to all nations. And while we search for new sources, we must move with others -- producers and consumers alike -- toward wider measures of cooperation to ensure that the world's remaining fossil fuels are used most effectively.

Pollution and the Environment

Global environmental concerns transcend national boundaries, economic systems, and ideologies. They demand a truly global response. During the past year, we made progress on a number of fronts toward developing such a response.

Multilateral Actions. The most notable success was the first UN Conference on the Human Environment. Held in Stockholm in June 1972, with 113 countries participating, the Conference agreed on a far reaching program for international action on the earth's environmental ills. Specific aspects of the program include a global system to monitor the environment; international conventions to control ocean dumping of shore-generated wastes and to preserve plants and animals threatened with extinction; and creation of a World Heritage

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Trust to protect unique natural, historical, or cultural areas. The Conference also decided to set up an Environmental Secretariat to coordinate UN programs in this field and to establish a UN Environmental Fund, which I had proposed in February 1972, with an initial goal of \$100 million for the first five years to finance environmental activities.

At the same time, we recognize the concerns of developing countries that steps to preserve the environment must enhance, not hinder, the development process. During the Stockholm meeting we made clear that in carrying out environmental programs we will take all practical steps to prevent reduced access to our markets; we will not use environmental concerns as a pretext for discriminatory trade policies.

The success of the Stockholm Conference offers considerable promise for more effective international cooperation on the environment. It is only a first step, however. Now we must work to translate the Conference recommendations into actions.

NATO's Committee on the Challenges of Modern Society (CCMS) also made progress in 1972. Committee projects on air and water pollution are providing valuable information and recommendations to member countries in the Atlantic Alliance, and a project in the field of urban transportation is now being developed. An inland water project is yielding important guidelines for dealing with the pollution of rivers that cross jurisdictional boundaries, and has already led to the formation of a U.S.-Canadian Joint Committee on Water Quality for the St. John's River Basin on our common border. As part of a CCMS pilot study, the United States last November signed an agreement with the principal European auto manufacturing nations to exchange information on technology for low pollution power systems.

At its May 1972 ministerial meeting, the Organization for Economic Cooperation and Development (OECD) adopted guidelines designed to avoid possible trade distortions arising from differences in the environmental policies of member countries. The United States is now working with other OECD members to develop procedures for effective implementation of these guidelines, which should permit countries to strengthen their environmental protection programs without upsetting international trade relationships.

Marine mammals, including whales, dolphins, seals, and polar bears, are increasingly endangered by man's onslaughts. Whales are probably in the greatest jeopardy, with some species on the edge of extinction. The United States advocated a ten-year moratorium on all whaling, both to permit presently

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depleted stocks to recover and to generate needed scientific data on whales. The UN Conference on the Human Environment endorsed this proposal, calling upon the International Whaling Commission to adopt it. While the Commission rejected the proposed moratorium at its meeting in June 1972, it did agree to significant reductions in the 1973 quotas for catches of certain whales, and it extended the current ban on hunting other varieties.

The United States joined with 91 other nations in adopting a Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter at a conference in London last November. The parties to the convention agreed to institute national systems for regulating ocean dumping similar to the comprehensive program we now have in the United States.

The Intergovernmental Maritime Consultative Organization (IMCO) has continued its efforts to prevent and reduce oil pollution from tanker collisions, groundings, and intentional discharges of oil ballast and bilge water. In May 1972, I submitted to the Senate for its advice and consent provisions to implement standards adopted by IMCO to reduce oil outflow from tanks ruptured in vessel casualties. IMCO's 1973 Conference on Marine Pollution, to be held in October at London, will focus on measures for the complete elimination of intentional pollution from oil and noxious substances and for the minimization of accidental spills. The United States is helping to develop a new international convention to eliminate intentional discharges of oil and hazardous substances from ships by 1975, if possible, or at the latest by the end of this decade.

Bilateral Actions

International progress on the environment in 1972 included significant bilateral developments.

Last May in Moscow I signed the U.S.-Soviet Agreement of Cooperation in the Field of Environmental Protection, which calls for mutual cooperation and exchange of information in eleven specific areas. The Joint Commission to implement this agreement met in Moscow last September, and agreed on a number of concrete projects, including a comparative investigation of air pollution in St. Louis and Leningrad; joint studies of water pollution problems at Lake Baikal in the Soviet Union and Lake Tahoe and one of the Great Lakes in the United States; exchange of information on environmental planning in urban areas, with emphasis on Leningrad in the Soviet Union and Atlanta and San Francisco in the United States; and a range of cooperative ventures in areas such as earthquake prediction, wildlife protection, effects of environmental change on climate, and marine pollution.

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In April 1972 in Ottawa, Prime Minister Trudeau and I signed the U.S.-Canadian Great Lakes Water Quality Agreement to clean up and prevent further pollution in the Great Lakes. This agreement establishes an important international precedent for cooperation between neighboring nations to protect vital shared resources. It specified both general and specific water quality objectives and set a December 1975 deadline for various programs to be completed or underway.

In a joint communique issued last June with President Echeverria of Mexico, I announced that the United States would take immediate measures to reduce the salinity level of the Colorado River, a problem which Mexico has indicated damages agriculture in the Mexicali Valley. The communique also contained an agreement that policy-level officials from our two nations would meet regularly to discuss other mutual environmental concerns and to develop methods for dealing with them more systematically.

These, then, are the challenges which confront the entire world community. The international response during the past year to these issues has been encouraging. These efforts are providing institutional foundations for effective future action. While many problems still remain unresolved, the world has moved closer to the global solutions that are required.

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CONCLUSION

In the past four years, there have been fundamental changes and signal successes. We have cleared away vestiges of the past. We have erased or moderated hostilities. And we are strengthening partnerships.

The specific events or policies, however important, reflect a more profound enterprise. We are seeking the philosophical, as well as the practical, reorientation of our foreign policy. This is the primary challenge of a radically different world. If America is to provide the leadership that only it can, Americans must identify with new visions and purposes.

As we look toward this nation's two hundredth birthday, we shall continue our efforts -- with the people and the Congress -- to create this new consensus.

In the transition from the bipolar world of American predominance to the multipolar world of shared responsibilities, certain themes need emphasis. They indicate not only what our approach is, but what it is not.

We seek a stable structure, not a classical balance of power. Undeniably, national security must rest upon a certain equilibrium between potential adversaries. The United States cannot entrust its destiny entirely, or even largely, to the goodwill of others. Neither can we expect other countries so to mortgage their future. Solid security involves external restraints on potential opponents as well as self-restraint.

Thus a certain balance of power is inherent in any international system and has its place in the one we envision. But it is not the overriding concept of our foreign policy. First of all, our approach reflects the realities of the nuclear age. The classical concept of balance of power included continual maneuvering for marginal advantages over others. In the nuclear era this is both unrealistic and dangerous. It is unrealistic because when both sides possess such enormous power, small additional increments cannot be translated into tangible advantage or even usable political strength. And it is dangerous because attempts to seek tactical gains might lead to confrontation which could be catastrophic.

Secondly, our approach includes the element of consensus. All nations, adversaries and friends alike, must have a stake in preserving the international system. They must feel that their principles are being respected and their national interests secured. They must, in short, see positive incentive for keeping the peace, not just the dangers of breaking it. If countries believe global arrangements threaten their vital concerns, they will challenge them. If

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the international environment meets their vital concerns, they will work to maintain it. Peace requires mutual accommodation as well as mutual restraint.

Negotiation with adversaries does not alter our more fundamental ties with friends. We have made a concerted effort to move from confrontation to negotiation. We have done well. At the same time, our determination to reduce divisions has not eroded distinctions between friends and adversaries. Our alliances remain the cornerstones of our foreign policy. They reflect shared values and purposes. They involve major economic interests. They provide the secure foundation on which to base negotiations.

Although their forms must be adapted to new conditions, these ties are enduring. We have no intention of sacrificing them in efforts to engage adversaries in the shaping of peace. Indeed such efforts cannot succeed, nor can they have lasting meaning, without the bonds of traditional friendships. There is no higher objective than the strengthening of our partnerships.

Detente does not mean the end of danger. Improvements in both the tone and substance of our relations have indeed reduced tensions and heightened the prospects for peace. But these processes are not automatic or easy. They require vigilance and firmness and exertion. Nothing would be more dangerous than to assume prematurely that dangers have disappeared.

Thus we maintain strong military power even as we seek mutual limitation and reduction of arms. We do not mistake climate for substance. We base our policies on the actions and capabilities of others, not just on estimates of their intentions.

Detente is not the same as lasting peace. And peace does not guarantee tranquility or mean the end of contention. The world will hold perils for as far ahead as we can see.

We intend to share responsibilities, not abdicate them. We have emphasized the need for other countries to take on more responsibilities for their security and development. The tangible result has often been a reduction in our overseas presence or our share of contributions. But our purpose is to continue our commitment to the world in ways we can sustain, not to camouflage a retreat. We took these steps only when our friends were prepared for them. They have been successfully carried out because American backing remained steady. They have helped to maintain support in this country for a responsible foreign policy.

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I underlined the vital importance of the redefined American role two years ago:

"Our participation remains crucial. Because of the abundance of our resources and the stretch of our technology, America's impact on the world remains enormous, whether by our action or by our inaction. Our awareness of the world is too keen, and our concern for peace too deep, for us to remove the measure of stability which we have provided for the past 25 years."

Measured against the challenges we faced and the goals we set, we can take satisfaction in the record of the past four years. Our progress has been more marked in reducing tensions than in restructuring partnerships. We have negotiated an end to a war and made future wars less likely by improving relations with major adversaries. Our bonds with old friends have proved durable during these years of profound change. But we are still searching for more balanced relationships. This will be our most immediate concern, even as we pursue our other goals.

Where peace is newly planted, we shall work to make it thrive.

Where bridges have been built, we shall work to make them stronger.

Where friendships have endured, we shall work to make them grow.

During the next four years -- with the help of others -- we shall continue building an international structure which could silence the sounds of war for the remainder of this century.

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THE WHITE HOUSE
STATEMENT BY THE PRESIDENT
ON THE FOREIGN POLICY REPORT
TAPED FOR RADIO USE

AMU 2/5

Mr. Davis
Mr. Quisenberry
J. W. C. P. a.
10/5.

The year 1972 was a time of more dramatic progress toward a lasting peace in the world than any other year since the end of World War II. But as encouraging as that progress was, we cannot rest on our laurels now.

1973 and the years to come will test whether America will go forward into a new era of international relations, or whether we will go backward into preoccupation with ourselves, thus allowing the world to slip back into its age-old patterns of conflict.

If we meet this test, the rewards can be great. If we do not, a priceless opportunity may be tragically lost.

It is against this background of hope and danger that I have today submitted to the Congress my fourth annual report on United States foreign policy. Tonight I want to share with you some highlights of that report.

Since the time of my last foreign policy review 15 months ago, we have witnessed historic achievements on a number of fronts. After more than two decades of hostility and isolation, we have begun an entirely new relationship with the People's Republic of China when I visited Peking last year.

Travel, exchanges and trade between our two countries are accelerating. This month we shall open liaison offices in each other's capitals, headed by distinguished senior diplomats.

The United States and the Soviet Union have taken a decisive turn away from the confrontation of the past quarter century. At our meeting last May, the Soviet leaders and I established a set of basic principles to govern our relations.

We signed a series of cooperative agreements and we laid the foundation for major increases in trade. Most importantly, we reached an unprecedented agreement limiting the nuclear arsenals that have haunted the world for a generation.

In the early months of 1973, intensive negotiations and a decisive military policy brought us at last to a just settlement of the long and costly war in Vietnam. We achieved our fundamental objectives -- a ceasefire, the return of our prisoners, a commitment to account for those missing in action, the honorable withdrawal of our forces, and the right of the people of South Vietnam to determine their own political future.

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But the peace in Vietnam and the parallel peace in Laos remain fragile because of North Vietnam's continued violations of the peace agreement. A ceasefire still has not been reached in Cambodia. We earnestly hope these problems can be solved at the conference table. We will not turn our back on our friends and allies while Hanoi makes a mockery of its promise to help keep the peace.

During recent months, with less fanfare than in negotiations with our adversaries, but with no less dedication, we have also been working closely with our Atlantic and Pacific partners. In addition, we have moved toward major reform of the international economic system, although the process of readjustment is still marked by crises.

We have continued to share more responsibilities with our friends under the Nixon Doctrine. In sum, recalling the challenges we faced and the goals we set at the outset of this Administration, all Americans can take satisfaction in the record of the recent past.

But our progress in the early 1970's has been more marked in reducing tensions than in restructuring partnerships. That is why we must make 1973 not only the "Year of Europe," as some have called it, but also the year of renewal for all of America's alliances and friendships.

In this spirit, we shall cooperate with our European friends to forge even stronger partnerships, cemented by a new articulation of the goals we share.

There will be the closest collaboration on such major issues as the mutual and balanced reduction of forces in Europe, the European Security Conference, and the current round of strategic arms limitation talks. Before the end of the year, I will visit our Atlantic allies.

We shall also continue to attach the highest priority to our relations with our major Pacific ally, Japan. Prime Minister Tanaka will visit the United States this summer for talks on this subject.

We shall work with all concerned nations to create a stable monetary system and to promote free trade. To make this possible, I again urge the Congress to pass promptly the crucial trade legislation I submitted last month.

We are also seeking in 1973 to further the positive momentum in our relations with the Soviet Union. I look forward to welcoming the Soviet leadership to this country later in the year.

Dr. Kissinger leaves tonight for Moscow to prepare for that visit. New U.S.-Soviet talks are already underway aiming for further agreements on controlling nuclear weapons.

We shall also continue this year to build our promising new relationship with the People's Republic of China.

We shall pay particular attention to our neighbors in this hemisphere. Secretary Rogers is soon to embark on a trip to Latin America, and I look forward to a similar journey myself during my second term.

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We shall do our part with others to reduce tensions and increase opportunity in such areas as the Middle East, South Asia and Africa.

We shall continue building new partnerships of shared responsibilities with all our friends around the globe. Approval of the foreign aid bill which I sent to the Congress this week will be fundamental to this effort.

Our policy in the world for the next four years can be summarized quite simply:

Where peace is newly planted, we shall work to make it thrive. Where bridges have been built, we shall work to make them stronger. Where friendships have endured, we shall work to make them grow.

We shall keep America strong, involved in the world, meeting the responsibilities which no other free nation is able to meet in building a structure of peace.

I said upon taking office more than four years ago that a nation could aspire to no higher honor than the title of peacemaker. America has done much to earn that title since then. Let us resolve to do still more in the years ahead.

Thank you, and good evening.

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OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE
PRESS CONFERENCE
OF

DR. HENRY A. KISSINGER, ASSISTANT TO THE PRESIDENT
FOR NATIONAL SECURITY AFFAIRS

THE BRIEFING ROOM

10:40 A.M. EDT

MR. WARREN: Just a note that the information in this briefing is embargoed until 6:00 p.m., along with the report which you have now read and which Henry will discuss with you.

Q There will be a transcript, will there not?

MR. WARREN: There will be.

Q In Florida, too?

MR. WARREN: Yes.

DR. KISSINGER: Gentlemen, you presumably have read the report and I summarized its basic thrust yesterday. Perhaps one word about the process, which by now should be fairly familiar to you, by which this is produced.

We ask each of the departments and agencies that deal with international affairs to submit their recommendations as to what the report should say, and then the report is written by my staff, and the tortured parts by me. After we have discussed with the President what the major direction should be, it is then reviewed by the various departments and submitted to the Congress. So it is a joint effort that is gone over by all of the responsible agencies.

Let me now answer any questions that you may have about the report.

Q Dr. Kissinger, would you elaborate on the passage on page 8 in which you explicitly apply the Nixon Doctrine to the Atlantic Alliance?

DR. KISSINGER: The Nixon Doctrine has many aspects. One of the essential aspects of the Nixon Doctrine is that other countries should assume a greater responsibility politically, where appropriate militarily, and economically, and that we are trying to create a new, peaceful structure which is maintained by the commitment to it of all of the countries involved, rather than through unilateral actions and declarations by the United States.

In this sense, the Nixon Doctrine applies, as well, to the Atlantic Alliance. However, detailed views with respect to the Atlantic Alliance are stated in the chapter on the Atlantic Alliance and has been also stated in the speech that I gave at the President's direction on April 23rd to the AP newspaper publishers.

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Our view with respect to the Atlantic Alliance is that the relationship between the United States and its European allies is as essential to the new phase of American foreign policy as it was to the last phase of American foreign policy.

The President has affirmed, and the Secretary of State has repeated, that there will be no unilateral American cuts in the commitment of our forces to Europe, and, therefore, the reference of the Nixon Doctrine in this paper cannot be interpreted in that sense.

Q Doctor, in the conclusion, is that --

DR. KISSINGER: When he calls me "Doctor", I know I am going to get it. (Laughter)

Q Is the conclusion a step away from the concept of five centers of power in the world that the President and you have enunciated from time to time?

DR. KISSINGER: Let me first explain what this concept is. The President, in his speech in Kansas City in July of 1971, pointed out that in contrast to the immediate post-war period, when there were really only two major powers, there were now five centers of power in the world. This has been interpreted to mean that we were going to conduct a classical balance of power policy in which alliances were going to lose some of their significance.

What this last chapter attempts to do is to explain how we interpret this five-power world, because there are many aspects to the contemporary international environment that are quite novel.

First, of course, is the familiar one of the enormous destructiveness of modern weapons. In the past, it would have been inconceivable to any statesman that he could ever have too much power, and any increment of power was politically useful. In the contemporary period, we are in a situation in which the overwhelming fact for the nuclear superpowers is the knowledge of their capacity to destroy each other and where additional increments do not necessarily have either military or political significance.

A second fact in the contemporary situation which is quite different from any previous period is that there is no necessary relationship between economic strength and military strength.

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Again, in the past, if you look at history, nations that were economically powerful were generally militarily powerful as well, and there was a direct relationship between the size of a nation, its economic potential and its military potential.

Today we live in a world in which in the military sense there are only two superpowers; that is to say, the United States and the Soviet Union alone possess the full panoply of modern armament.

On the other hand, in the economic field, you would certainly have to include Japan and Europe as superpowers, and in the political field, in the sense of having a major political impact in the world, even though they are not yet an economic or military superpower, you would have to count the People's Republic of China.

It really makes a great deal of difference of what area you are talking about or what area of activity you are talking about.

Secondly, this notion of the five centers of power was interpreted in many parts of the world as an American assertion that it made no difference any more between its friends and its opponents, that it was conducting foreign policy entirely on the basis of a temporary juggling of relationships. Indeed, this was equated with classical balance of power.

Of course, it wasn't even true in the old balance of power that alliances did not exist. Alliances existed throughout history, even in periods when the balance of power policy was pursued.

The difference between classical power politics and the contemporary period is enormous. They are the differences I have already mentioned in the destructiveness of weapons, in the disparity between economic and political and military factors and in the enormously increased role of ideology.

Therefore, we felt it important that in our last chapter of this report we emphasize just what we understand by the international environment today: that we continue to value our friends, that we do believe there must be a recognition of the emergence of other centers of power, but that power cannot be an end in itself in the contemporary period, and that power politics in its purest sense is the most difficult and the most treacherous form of international politics.

Q Doctor, how do you assess the prospects for a real peace in Southeast Asia?

DR. KISSINGER: I think the record should show that it took until the third question to reach Southeast Asia.

Q It is Topic "A".

DR. KISSINGER: First of all, one has to ask oneself what is meant by "real peace." If one means a consciousness of tranquility, if one means that the parties to the conflict

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in Southeast Asia will live henceforth with a consciousness of reconciliation, then I would say that that day is very far off.

The essence of the settlement was that the military issues were settled in some detail, at least in the document, and the political issues were left to further evolution. The political issues were not solved; they were left to hopefully a political rather than a military contest.

The parties that had fought for 25 years did not suddenly give up their differences. Therefore, the issue in Southeast Asia is not whether a consciousness of harmony can be brought about or the absence of tension but whether the political evolution that will inevitably occur take place essentially in peaceful forms or at least without large-scale conflict.

We have stated repeatedly that we are disappointed at the way the agreement has been implemented, but it is also true that for all of the parties there is a difficult process of adjustment.

We are not pessimistic about the long-term prospects in the negotiations that we are conducting with the North Vietnamese. We are approaching them with the attitude that the difficulties can be ameliorated, if not solved, and that one should look at this as an evolutionary process rather than a final settlement.

Dr. Kissinger, how much progress is actually being made in both Cambodia and Laos toward a political settlement within those countries?

DR. KISSINGER: Just to give myself some possibility of avoiding some questions later on, I must point out that this is not exactly related to the subject of this press conference, which is to explain the report.

The situation in Laos and Cambodia differs in the sense that in Laos -- they are similar in one respect. Article 20 of the agreement provides for the withdrawal of all foreign forces and for an end to the use of Laos and Cambodia as bases against any neighboring country.

In this sense, the obligation is clear and unambiguous, and obviously is not being fulfilled. There is a difference, however, in the sense that in Laos there exists a cease-fire agreement between the Laotian parties.

We are not formally a part of that agreement, and this is why the agreement provides that within a fixed time period after a political settlement, which in turn was supposed to come 30 days after the cease-fire agreement, all foreign forces should be withdrawn.

This is not, strictly speaking, in accordance with Article 20, which makes no prior conditions to the withdrawal of foreign forces.

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If this agreement is implemented among the parties, then a definite deadline will exist for the withdrawal of all foreign forces. Up to now, the political agreement has not been achieved, so the negotiating problem in Laos would be for the outside countries to encourage a conclusion of the political negotiations, which would automatically produce a deadline for the withdrawal of foreign forces. This, in turn, would achieve one of our principal objectives as far as Laos is concerned.

Q How much progress has been made in that respect?

DR. KISSINGER: Our judgment is that enough progress has been made so that a settlement could be achieved rapidly if it were wanted by both sides. The obstacle to a settlement right now is the reluctance, I would think, to withdraw troops rather than the conditions of the settlement. If a decision were made to have a settlement, it could come fairly rapidly.

Q Dr. Kissinger ---

DR. KISSINGER: I am not finished yet with Cambodia. In Cambodia, for a variety of reasons, including the fact that the forces opposing the Government were divided among various factions, some of which were receiving their support from different capitals, it did not prove as feasible to arrange a global negotiation as it turned out to be in Laos.

However, we believe that some of the same process that operated in Laos can be applied also in Cambodia, particularly now as all the opposing forces claim to be rallied under one central direction and that the government in Phnom Penh has broadened its base.

We are not too pessimistic that over a period of weeks, maybe some months, some cease-fire negotiations could start. Cambodia is somewhat behind Laos in this process. What form these negotiations would take, we would leave to the parties.

Q Dr. Kissinger, since three-quarters of the Senate and almost two-thirds of the House are opposing MFN for the Soviet Union, why is there no mention made of this matter in your report to the Congress dealing with the Soviet Union?

DR. KISSINGER: We have made very clear -- and I will repeat here -- that the Administration has strongly supported the provision in the trade bill that would enable the President to grant MFN to the Soviet Union.

If this provision is approved, it is the President's intention to grant MFN to the Soviet Union. It is furthermore the belief of this Administration that the issue of MFN for the Soviet Union is part of the whole fabric of our negotiation with the Soviet Union over a period of two years and should not be separated as an issue to be addressed in isolation.

Finally, we believe that the exchanges that took place between the Soviet leadership and the President on the issue of the exit visas substantially meets the concerns that were expressed by many of the signers of these resolutions.

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We hope that as the Congress studies the problem in its entire range, and as we continue our discussions with Soviet leaders on some of the problems that gave rise to these concerns, that by the time the Congress votes on MFN it will see matters in the same light.

Q Dr. Kissinger, are you proposing some sort of consortium consumer union with Europe in terms of the energy crisis in the Middle East, to put the pressure on the Arab nations to provide more oil? There seems to be some sort of an ambiguity in the report.

DR. KISSINGER: May I point out, incidentally, that MFN is mentioned at the bottom of page 34 and at the top of page 35 of the report.

Q I am thinking in terms of the issue of immigration, in terms of MFN.

DR. KISSINGER: That issue we did not deal with separately, it is true.

With respect to Miss Thomas, her question was whether we were implying a consortium of consumer nations to bring pressure on the producer nations to produce more oil. Frankly, we have not thought of this problem in terms of pressure.

Indeed, we have not completed our own deliberations on the international implications of the energy problem. The Energy Message dealt primarily with the domestic implications, and we are now engaged in the NSC process in an investigation of the international implications.

It is clear that we face here a number of problems with which we have had no previous experience in the international field. For example, the dollar reserves of the oil producing nations are going to increase enormously as the dependence on mid-East oil and foreign oil increases.

This fact alone creates a new reality for the international monetary system, and frankly, we have not thought through all of the implications, but we know we have to study the implications.

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It is a fact that many of the producing nations are operating in the form of a consortium. What that means for the consuming nations is really not clear, and there are totally different points of view on the subject. How you define the national security interests in this respect is, in itself, a question that I must tell you honestly we have not yet fully resolved.

There is one school of thought that argues that it is to produce as much of our energy requirements, at least in the Western Hemisphere, as possible. There is another school of thought that points out that this would deplete the resources in the Western Hemisphere at a very excessive rate, and that, therefore, under peacetime conditions it is best to increase one's imports from the more distant areas and to preserve the Western Hemisphere reserves for crisis situations.

I just want to put before you the sort of issue that we are looking at. If the national security definition were in the sense of relying on Western Hemisphere sources primarily, then the pressure on the producing nations in the Middle East, for example, as far as this country is concerned, would be much less.

So until we have completed this study, we will not be in a position to make any very definitive statements. We have had preliminary talks with some of the Arab nations, when the Saudi minister of oil production was here, and we are in constant contact with the Iranians, and with others.

We are having some preliminary conversations with some European countries, but this is really one of these areas of new exploration where we have to get our own intellectual house in order first, before we can make any definitive statements. But we are definitely not approaching it with the attitude of wanting to bring pressure, because at this point we first have to define what our objectives are.

Q Dr. Kissinger, the European chapter puts great stress on the need for developing a new security concept, especially in the field of nuclear strategy. On one point, would you amplify on that a bit; and secondly, could you explain the concept of the timetable that you have in mind in relation to what is mentioned on page 207; namely, the need for the alliance to set its security goals before it enters into effective negotiations on MBFR, in view of the fact that those negotiations are currently anticipated in the fall?

DR. KISSINGER: The two questions are really two sides of the same point.

With respect to the first question, we have felt that obviously NATO today is in a strategic environment entirely different from the time when it was conceived. When it was conceived in the late '40s, and when it received impetus after the beginning of the Korean War in the 1950s, the security of Europe depended almost entirely on the American strategic nuclear guarantee, and the American forces in Europe were conceived primarily as a means to trigger the American nuclear guarantee and to deprive the United States of any great freedom of action with respect to it.

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But as the years have gone on, as the nuclear stockpiles on both sides have increased and the delivery systems have multiplied, the reliance on strategic nuclear war is bound to have a different significance.

We find ourselves today in Europe with a deployment that was designed in the late '50s, that was adapted at various stages, but which requires an explicit adaptation to new circumstances in a number of areas, and we believe that this is one of the pre-eminent tasks of the alliance.

This task becomes particularly acute as we begin the negotiations on the mutual balanced force reduction.

Murray is quite right: We anticipate these negotiations starting in the fall. We believe that they can be conducted effectively only if the allies first understand what the elements of their security are, so that specific proposals can be related to their understanding of how they affect the security situation, rather than to be caught in a negotiating process in which abstract figures are thrown around, and in which, then, domestic pressures and pressures within the conference room become predominant.

Now, in terms of the timetable, we have submitted to NATO, I believe this week, a document which outlines, on the one hand, our perception of these elements of security in Europe, and secondly, two principal approaches by which one can look at these mutual balanced force reductions from the point of view of security with some additional models by which they could be approached.

We want to elicit from our European allies, first, a response to the security section, and equally a response to the approaches we put before them to the issue of mutual balanced force reduction. That doesn't mean that every figure we put before them is necessarily the final one. It is really a more conceptual approach at this stage of the game in order to define where are we trying to go, how should we look at this problem, how can we have security, how can we have equal security at lower force levels and how do we reach these lower force levels, how can we make the cuts in such a way that they enhance the sense of security of all of the participants, hopefully to reduce both sides' capacities for offensive action, and thereby give each side a sense that the danger has been lessened.

This is the reason why we are linking conceptually the security issue and the MFBR issue, and we are really following a procedure we adopted in the early stages of SALT and which then has enabled us, once the basic principles and building blocks were understood, to move fairly rapidly in the actual negotiations.

Q Can I follow that up?

DR. KISSINGER: First this gentleman who has been very patient, and then I will come to you.

Q Doctor, a rather parochial question, if you please.

DR. KISSINGER: I don't know what parish you represent. (Laughter)

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Do you want me to tell you? When is the President going to visit, this year, Latin America, and what countries is he going to visit? Does he still believe, as he said, that "As Brazil goes, so goes the rest of Latin America," and finally, don't you think that we are being left out on a limb in relation to the whole question of recognition of Cuba, inasmuch as half a dozen countries have already recognized Cuba and others are making noises, and the obvious way to undercut the prestige and effectiveness of an international body, the argument doesn't hold any more, since that prestige has already been undercut?

DR. KISSINGER: The gentleman asked about six questions.

In direct proportion to the time I had to wait.

DR. KISSINGER: All dealing with Latin America, specifically, when is the President planning his trip to Latin America, which countries does he intend to visit, what relative importance does he attach to Brazil specifically in the light of a comment he made during the toast for the President of Brazil, and various questions connected with our Cuban policy, particularly as the questioner believes it is being eroded anyway.

Q That is right.

DR. KISSINGER: Now, with respect to the President's trip, he announced some weeks ago that he was planning a trip to Latin America this year. There has been no further, detailed planning on this, and, therefore, I haven't much that I can add to what the President said. He has not yet decided which countries to visit, although it would probably be that countries whose leaders visited here would have a special claim on a return visit.

Now, we attach great importance to Brazil as geographically the largest country in Latin America, the greatest population, and making great progress. Therefore, we attach great importance to our relationship with Brazil, but this does not mean that we do not think other countries in Latin America also play a very major role or that we will hinge our whole Latin American policy on one country alone.

With respect to the Cuban policy, I think the basic considerations have been stated in the report, which are related to the policy that Cuba is pursuing and which can be affected by changes in Cuban policies.

Well, this went to Murray's question on MBFR. It seemed to me in reading last year's report you were much firmer against symmetrical reductions on both sides than you are now. You said it was inherently unstable, I think. In this report, it seems to me that you are backing off that position and leaving open various options. Is this correct?

DR. KISSINGER: In the interval we have, of course, made many more studies, and the complexity of our argumentation always increases with the number of studies that we conduct, not necessarily our lucidity. It depends how you define symmetrical.

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Basically, our view remains that if you have an unequal number of forces, and if the forces on one side are composed heterogeneously, and the forces on the other side have a predominant element, then having cuts of exactly the same size is not necessarily the most sensible way of approaching the problem. Therefore, if there is an implication in this report that we have backed away from our attempt to wind up with equal security rather than to look at it in terms of the cuts that have to be made, then that is wrong. That is not our intention.

We have this year really made extensive studies. We have looked at eight different ways of approaching it. We finally have gotten it down to two or three.

In general, our approach is that the answers will have to be somewhat complex, and that the straight percentage approach is probably not the most realistic, but since we are in the process of discussing this with our allies, we don't want to pre-judge that question.

Q If you would indulge a question that is not directly related to this report, but which is connected with stories in this morning's paper concerning a former staff member of the NSC who, according to these stories, was implicated in wiretapping efforts, I wondered, first, if you knew about this, or what your response to these stories is.

DR. KISSINGER: First, I have no knowledge whatever of the activities to which this report refers.

David Young, who was a trusted member of my staff, was detailed on July 1, 1971, to join the Domestic Council which, under the direction of Mr. Ehrlichman, was conducting a study of declassification procedures and the security procedures within the Government. These studies led to a new classification system which was promulgated by the President, and this study was publicly announced.

Upon the completion of these studies, or of this report, which occurred in the early fall of 1971, David Young, whose interest was more in the domestic than the international area -- he was a lawyer when he joined me -- remained with the Domestic Council, and he continued to be paid from National Security Council funds because the Domestic Council had no budget of its own, and as most of you will note, most members of the White House staff are paid by some agency that has a budget for them.

He continued to be on the Domestic Council until he left in March of this year, before these stories became known. What his duties were, I do not know, and, therefore, I cannot make any comment about what he did except for the study on declassification. But I knew him as a trusted junior member of my staff.

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Q Dr. Kissinger, in the Cambodian section, the report says there has been little progress in Cambodia and the military picture at times has remained spotty and precarious. You said that you were not pessimistic that a cease-fire might evolve in the weeks or perhaps months ahead.

This seems a bit inconsistent with the estimation of the Cambodian situation in the report, and would you please square the two?

DR. KISSINGER: I wanted to point out that in the report, which of course was written several weeks ago, we described the situation as well as we could in the light of the conditions that then existed.

The military situation in Cambodia is uneven, and in some sense precarious. We do not judge that the opposing forces have the military capacity to occupy the whole country and, therefore, the problem is whether the political structure in Phnom Penh will become so demoralized that it collapses.

If the political structure can be maintained, then we believe a basis for a negotiation exists. Recently, the political base of the government in Phnom Penh has been broadened. The rainy season is approaching, there has been no major change in the military situation in recent weeks, and in fact, there has been probably a slight slackening of pressure.

Therefore, we say that the conditions exist for a negotiation. Anyone who would say flatly that he is certain it will come about would, of course, be excessively optimistic.

Q Dr. Kissinger, could you possibly provide an answer to the "fundamental question" on page 79 as to the possibility of reconciliation of the old Atlantic concept of unity in defense as opposed to what you call European regionalism and what would happen if European regionalism persists.

DR. KISSINGER: First of all, let me explain there has been some comment in Europe that we wanted to confine Europe to a regional European role while we reserved for ourselves the right to conduct a global foreign policy.

The references to regionalism, both in this report and in the speech that I made some weeks ago, were intended to be descriptive and not prescriptive. It has been the whole thrust of American postwar foreign policy to encourage the Europeans to assume a responsibility in the world commensurate with their economic power and their political vitality.

It is the Europeans who have preferred to concentrate primarily on their region. To the extent that the Europeans want to play a global role, we welcome it, and we will be happy and eager to consult with them and to cooperate with them.

In the economic field there are strong tendencies towards regionalism in Europe, and it is the nature of the economic field, in any event, in both the United States and in Europe that as negotiations are prepared, pressure groups and special interests will advance their particular claims, which on their merits are usually quite reasonable and which in the

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absence of an overriding framework are extremely difficult to resist by political leaders on both sides of the Atlantic.

Therefore, what we are attempting to do, what the President is urging, is that the political leaders on both sides of the Atlantic and in Japan first set themselves some general political goal in the name of which they can then adopt a more generous, a more flexible and a more farsighted approach to their economic relationships.

If regionalism is continued or if regionalism is enhanced, then the consequences will, of course, be a consciousness on both sides of the Atlantic of constant conflict, of every negotiation turning into a test of strength. Sooner or later this is bound to affect other relationships.

When I say this, I am not saying this as a threat. We expect that there is enough statesmanship on both sides of the Atlantic and on both sides of the Pacific to recognize the overriding political imperatives and that, therefore, we believe we can avoid the development of regional blocs and these autarchic groupings confronting each other.

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Q To what extent do you think oil would be a dangerous destabilizing influence within the Western Alliance? Specifically, as one example, I refer to the differences in posture vis-a-vis the United States and France in the Middle East.

DR. KISSINGER: It is obvious that as energy becomes a growing concern for all of the industrialized nations that it is conceivable that the competition for energy, for sources of energy, will take forms that could threaten other political relationships.

If Western nations engage in a process where if one is expropriated and expelled, the other one moves in to pick up the pieces, as sometimes has been done by every Western nation with regard to every other Western nation, then, of course, you are creating a high premium on all sides to continue this process.

On the other hand, we expect again, as in the other areas, that as we look ahead 10 or 15 years it should be possible to develop policies that assure the energy supplies of all nations and in a manner that is consistent with the dignity of the producing nations.

It has to be consciously pursued from a long-range prospective and in a generous framework. If it isn't done, and if it is permitted to run wild, then the divisive tendencies may easily predominate.

Doctor, on page 11 of your report you refer to the political relationship with Japan as not yet having been fully defined. Could you explain that a little further, please?

DR. KISSINGER: As we explained in the chapter on Japan, Japan went through a phase in which its predominant effort was on economic recovery and then on this tremendous industrial expansion.

The degree of political activism was not commensurate to the economic power that had been developed. The political change from the occupation era and the post-war era to one in which Japan pursues a diplomacy that is more in keeping with its economic strength and its new vitality began in the last years of the Sato prime ministership, but took symbolic form when Prime Minister Tanaka acceded to office.

For example, he has now announced the trip he is intending to take later this year is in pursuit of his multi-polar diplomacy, which is a different word than Japanese prime ministers and foreign ministers used in the past.

The adjustment of Japan is from pursuing a rather single-track foreign policy to a more complex foreign policy. After all, last year was the year when Japan restored or normalized its relations with the People's Republic of China. They are now engaged in peace negotiations, or of seeing whether they can get them started with the Soviet Union so that the political role of Japan is now in the process of transition.

How we relate ourselves to this change and how we can maintain, as we intend to, our traditional friendship while at the same time taking account of the greater complexity of the Japanese role is the task that the President attempted to describe in this report.

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Q Dr. Kissinger, could you amplify what you said on page 87, where you talk about the need to review the strategic options involved in conducting a nuclear defense, if necessary, and how that would relate to what you said about MBFR and to an alliance role in defense?

DR. KISSINGER: I am just trying to see what you are referring to. I understand.

The question is what we meant on page 87 of the report, in the chapter on Europe, by a review of the strategic options involved in conducting a nuclear defense if it should become necessary, and how we can prepare within the alliance a framework that integrates defense planning and diplomacy. Isn't that what you asked, to explain No. 2 and 3?

Q I was talking about the alliance role in that, and the alliance planning.

DR. KISSINGER: Okay, fine. I will just confine it, then, to the first question.

I keep looking over here. Where is Ron Ziegler when I need him the most to cut off the questioning? (Laughter)

Q Where is he? (Laughter)

DR. KISSINGER: He is measuring the walls of my office. (Laughter)

Q There is a lot of other empty space around here. (Laughter)

DR. KISSINGER: It is clear that the use of nuclear weapons under current conditions has a different significance and must pursue a different strategy than was the case in the 1950s. Now, the problem of how nuclear weapons are to be used, if that should become unavoidable, the relationship between what used to be called tactical and strategic uses, what rational purposes can be achieved, has to be addressed by the alliance.

There exist several bodies which can do this; for example, the nuclear planning group that was established in the Kennedy Administration to perform this role. What we are attempting to bring about is to shift the discussion from the more formalistic agreement on general propositions to a more concrete perception of what would actually occur in specific circumstances. So the forums exist, but what needs to be done is a more systematic and comprehensive approach to what is a very serious problem.

MR. WARREN: One more question is all we have time for.

Q Mr. Kissinger, I have an additional question.

DR. KISSINGER: You pick it. Why should I make an enemy? (Laughter)

MR. WARREN: This gentleman down here.

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Q You have on page 142 a four-point program for the Middle East. Could you kindly elaborate a little on that? In the first sentence you speak of the process of negotiations. Do you mean by that that the Jarring mission has been abandoned in your future attempts to bring peace?

DR. KISSINGER: The question is, on page 142 where we list four areas or four points with respect to the Middle East, to what extent that represents an American program for the area; and secondly, whether the first point which refers to a process of negotiation with respect to the Arab-Israeli conflict means that we have abandoned the Jarring mission.

Actually, our attitude toward the negotiations in the Middle East is more fully covered on pages 138 and 139, and we make very clear that we are in favor of both the comprehensive approach as well as to the so-called interim approach; that we support both the Jarring mission as well as the various schemes that have been proposed that would have a practical consequence of clearing the Suez Canal and bringing about a withdrawal from some areas. We have explained on page 139 that we recognize that there has to be a relationship between the so-called interim approach and the so-called overall approach, and that we recognize the fact that one of the concerns is that if this relationship is not established, a new arrangement may take on the character of permanence.

Our view, however, is also that we should proceed on whichever route seems most promising at a particular moment; that we should be flexible about the modalities by which this relationship is established, and that the process by which progress is made must engage the parties in the Middle East in some form of contact with each other at some stage of the negotiations. This we have spelled out on pages 138 and 139. What you have on page 142 is really a summary that covers issues other than the Arab-Israeli issue, as well.

THE PRESS: Thank you.

END

(AT 11:35 A.M. EDT)

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OFFICE OF THE WHITE HOUSE PRESS SECRETARY
THE WHITE HOUSE

PRESS CONFERENCE ON THE PREPARATION OF THE ANNUAL REPORT FOR NATIONAL SECURITY AFFAIRS

DR. HENRY A. KISSINGER, ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

THE BRIEFING ROOM

10:15 A.M. EDT

MR. WARREN: You have the President's foreign policy report, and I think you have had some time to read it.

Dr. Kissinger, as he did last year, will spend a little time with you, a brief time this morning, discussing the preparation of the report and some of the directions in the report. Then tomorrow morning he will have a more detailed, substantive briefing beginning at 10:30 here in this room.

You notice on the report there is an embargo for release until 6:00 p.m. tomorrow. There is no wire embargo on the report at all.

DR. KISSINGER: I will just make a few comments today, summarizing the preparation of the report and its major thrust, and then tomorrow I can talk at greater length and answer your questions.

As you know, we have been preparing this annual report every year of the President's incumbency. The purpose of the report is to provide a coherent statement of the philosophy of the Administration on foreign policy and of the major directions of American foreign policy, both for the public and for other countries.

The detailed actions in the various countries of the world are described in the State Department report that has already been released, and then there is, of course, the Defense Department report which deals with the details of the military program.

We attempt in this report by the President to explain the overall strategy of the United States, the national objectives, the relationship of various steps to each other, and the directions in which we expect to go.

The report this year was somewhat delayed. We have published it in previous years at the end of February. The reason is a practical one: that the people who are usually engaged in drafting the report were engaged in the negotiations on Vietnam and their aftermath, so that we could not really turn on a full-time basis to the drafting of the report until after the trip to Hanoi and Peking in February. But in any event, it would not have made any sense to produce a report until the outcome of the negotiations in Vietnam had become clear.

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This is the first report that the President is sending to the Congress in which the war in Vietnam is not the predominant concern. This is the first time that we can talk about building a structure of peace not as something that will be done with undiluted energy after we have settled the outstanding conflict, but it is something that is actively in progress as a predominant exercise of American foreign policy.

Therefore, we look at this report not only as an account, or even primarily as an account, of the events of the last year, but as attempting to state a mood and an attitude about what the Administration intends to do in the second term of the President's Administration.

If you want to read through the report, the philosophical statements are in the introduction and conclusion, and then, of course, each chapter attempts to relate the theme of the area which is covered to the overall assessment that we made. The theme is one that we have mentioned before, and perhaps emphasized more strongly this year.

When President Nixon assumed office, a major change had already occurred in the conditions in which foreign policy was being conducted, changes that were reflected in the growing strength of allies, that were reflected in the differentiation that had arisen within the Communist world, changes in the strategic balance, and changes, perhaps most importantly, in the domestic attitudes and perceptions of most of the countries that were playing a major role in foreign policy.

In these circumstances, any Administration would have had the responsibility of adjusting American foreign policy to new conditions. All of these efforts were, of course, heavily overshadowed by a conflict in Vietnam that had profoundly affected American attitudes toward the world at large.

In the President's first term, a major effort was made to end the war in Vietnam and to adjust our relationships to adversaries, and to lay the basis for a major advance in relations with old friends.

The last year, 1972, with which this report principally deals, of course, witnessed the President's trip to Peking, the summit meeting in Moscow, and a series of dramatic events in Indochina.

In the visit to Peking, we ended 22 years of isolation between the United States and the People's Republic of China, and set in motion a series of events which has, up to now, brought us to the point where Ambassador Bruce will be leaving this Sunday to assume his responsibilities as chief of our liaison mission in Peking, and where a Chinese advance team is in Washington to prepare for the arrival of the chief of the Chinese liaison mission in the United States.

This relationship, it is the firm intention of this Administration, will continue to develop, and we will expect to accelerate its process.

In the relations with the People's Republic, we had to travel an entirely new road. The relations with the Soviet Union -- these are two great nations which are interacting all over the world; therefore, the negotiations deal with matters that are more concrete, more technical, and which have to be assessed in terms of their cumulative impact rather than in terms of any one dramatic gesture.

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DR. KISSINGER: - 3 -
 We have moved forward in our relationship with the Soviet Union on a broader front than at any comparable period in the postwar era, and in the negotiations on strategic arms limitations and in the definition of a set of principles to guide our actions, we have charted some fundamental directions that we expect to pursue in the years ahead.

All of us in this room met many times on the issue of Vietnam, and the report attempts to give an account of the negotiations during the last year, of the end and of the final conclusion of the cease-fire agreement, which the United States expects to observe and which we hope all other parties will equally observe.

As I pointed out, improving our relations with our adversaries and ending the war in Vietnam only clears away the obstacles to the construction of a peaceful world. Therefore, in the next four years we will give major attention to the articulation of new relationships with other parts of the world, with Europe, with Japan, and with Latin America, and with attempting to make our contribution to easing tensions in such areas as the Middle East and assuring progress in such areas as Africa and South Asia.

As always, the report discusses the basic principles of our defense policy and has a rather extensive chapter on the approach of this Administration to the question of arms control.

Until the 1960s, the idea that security could be enhanced by agreement to limit arms was considered, if not theoretically, at least practically, rather visionary, at any rate to limit arms in the central systems. We have made an agreement on numerical limitations. We are now engaged in more complex negotiations that may involve also the qualitative aspects of the arms race.

In this report, we have attempted to describe the President's approach to the question of arms control and to the problem of security through the limitation and not only through the accumulation of arms.

This is the basic approach of the report, and you will, of course, want to read it and tomorrow I will be available to answer questions in greater detail. I will be glad to take a few minutes of questions now.

Q I have a question on pages 61 and 65 of the Vietnam part of the report.

DR. KISSINGER: I didn't think you would read the report until tomorrow.

Q You say if North Vietnam does not obey the call for an honorable cease-fire, it would risk revived confrontation with us. Could you spell out a little bit more clearly what you mean there; and secondly, on page 65 you say we look to outside powers to lend a moderating influence. This means, first of all, no reasonable justification for sending Hanoi large arms shipments. Do you expect that to come up in your discussions in Moscow?

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DR. KISSINGER: With respect to Vietnam in this report, every year I have had four semi-revolutionary associates working with me on this report whose general dissatisfaction with the state of events has been enhanced by the fact that the press only reported the Vietnam chapter, and nothing else that was written. If you are concerned with tranquility on the NSC staff, mention at least the other chapters in this report, not only Vietnam. But I assured them that this year they could work with particular energy, because certainly we would have Vietnam out of the central focus.

Q Where did you go wrong?

DR. KISSINGER: Where have I gone wrong? It is your fault.

Now, on the confrontation, we have made clear that we mean to have the agreement observed. We are now engaged in an effort to discuss with the North Vietnamese what is required to bring about the strict implementation of the agreement. We have every intention and every incentive to make certain that our side of the agreement is maintained, and to use our influence wherever we can to bring about the strict implementation of the agreement.

But the United States cannot sign a solemn agreement and within weeks have major provisions violated without our making an attempt to indicate it. Now, the particular measures: Some of them are, of course, obvious, and we would prefer, as we state in the report and as we have stated publicly many times, to move our relationship with the North Vietnamese toward normalization, and to start a process which would accelerate, such as other processes normally have.

So the general thrust of this paragraph is that the tension existing between us certainly cannot ease as rapidly as we want if the agreement is not observed.

With respect to the second question, will I raise this issue, the issue of arms shipments to Vietnam, in Moscow. We have consistently said, since the agreement was signed, that it was one thing to introduce large quantities of arms into Vietnam while the war was going on; it has another significance during cease-fire conditions.

The United States is only sending replacement arms into South Vietnam and has repeatedly offered to put its shipments under the control of the International Control Commission, and we continue to maintain this offer. I don't want to go into the details of every issue that will be discussed in Moscow, but you can be certain that the situation in Indochina in all of its aspects will be raised.

Could we have questions that deal with the report, rather than a general press conference?

Q I don't believe that you have said, or the Government has said, very much so far about the extent of re-supply by Peking and by Moscow of the North Vietnamese. The meaning of this paragraph is clearly that there are continuing large armament shipments going to Vietnam. Is that correct?

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alist or before I said that might not be at all
not been the words necessary to get out no words
but an first time now I would like to say that
it's very difficult to do this.

DR. KISSINGER: The meaning of what paragraph?

Q This means, first of all, there can be no reasonable justification for sending Hanoi large shipments of armaments.

DR. KISSINGER: The implication is that there can be no justification if they take place. There is no implication necessarily that they do take place.

Q That is my question. They are not taking place?

DR. KISSINGER: The quantities are still under study. It is more difficult for us under current conditions to find out.

Q There are some?

DR. KISSINGER: There are some, yes.

Q Are these remarks, Dr. Kissinger, embargoed?

MR. WARREN: I explained that when I introduced Dr. Kissinger. These remarks are embargoed, along with the report.

DR. KISSINGER: This is not a general press conference.

Q I wonder if we might have an answer to something that couldn't be embargoed, and that is, there seems to be a dispute over -- could I ask a question first?

MR. WARREN: Yes, but let me just preface that, if I may. We said Dr. Kissinger would be talking about the preparation of the report, and its major directions, at this time. Tomorrow morning he will have more extensive remarks.

Q This is something which I think Dr. Kissinger could clear up since we have him here, and that is, is there or is there not a meeting with Le Duc Tho agreed in Paris?

DR. KISSINGER: I will stand on what Ron Ziegler said to you. There is an agreement that there should be a meeting, but since we have not yet agreed on the time of announcement and similar matters, I don't want to go any further than that. But what Ron Ziegler said to this press group can be supported by messages that were received.

Q I have a non-Vietnam question. On page 139 you were talking about the Soviet action in the Middle East, and you seem to doubt more this year than in the past report that the Soviets are truly interested in encouraging a negotiated settlement in the Middle East. Is that a correct impression?

DR. KISSINGER: What page 139, to which you refer, means is Soviet actions that, in our judgment, are not necessarily designed to quiet the situation. On the other hand, one has to point out in fairness that it is a very complex subject in which outside powers cannot easily decide what role they should play and how they can be effective. This was the major implication of that paragraph.

I am afraid that I have an appointment, and I will take only one more question.

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Q This is the Middle East that I wanted to talk about. On the top of that page you speak about the need for a step-by-step approach. I wonder if you could tell us what the United States would consider a reasonable first step, in discussions between the Arabs and Israelis themselves.

DR. KISSINGER: The United States has always favored, all along, an interim settlement relating to the opening of the Suez Canal, and we have always said that at some point in the negotiating process the parties concerned must be in some form of contact with each other. These continue to seem to us reasonable first steps. But it is certainly one way of approaching it. We are openminded to listen to other propositions. It is the best we have come up with.

Ladies and gentlemen, I will see you tomorrow at greater length. Thank you.

MR. WARREN: Before we break up, I should point out to you that I believe it is only fair that Dr. Kissinger's answer to the question he responded to on the Paris meeting, the Le Duc Tho meeting, should be on the record now and not embargoed until the report's embargo is lifted.

I neglected, in introducing Dr. Kissinger, to point out that he spent an hour this morning with the President discussing the foreign policy report and foreign policy developments in general. I think that should be noted at this time.

END (AT 10:40 A.M. EDT)

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US FOREIGN POLICY

1. THE PRESIDENT LAST NIGHT ISSUED HIS ANNUAL FOREIGN POLICY REPORT TO CONGRESS. YOU WILL HAVE SEEN SUMMARIES IN THE PRESS. COPIES WILL BE SENT BY BAG.
2. ON US/EUROPEAN RELATIONS THE TONE IS SOMEWHAT TOUGHER THAN LAST YEAR BUT FORWARD-LOOKING AND CONSTRUCTIVE, IN LINE WITH KISSINGER'S NEW YORK SPEECH. IT COMPLAINS THAT FUNDAMENTAL PROBLEMS PERSIST IN ECONOMIC RELATIONS WITH THE EUROPEAN COMMUNITY, THAT THE EUROPEANS HAVE BEEN PURSUING POLICIES OF "ECONOMIC REGIONALISM", AND THAT EUROPEAN LACK OF POLITICAL UNITY HAMPERS THE RESOLUTION OF US/EUROPEAN ECONOMIC DISPUTES - HENCE THE CALL FOR THE DEVELOPMENT TOGETHER OF A BROAD POLITICAL FRAMEWORK WITHIN WHICH DIFFERENCES CAN BE RESOLVED FOR THE SAKE OF LARGER GOALS. THE PRESIDENT REAFFIRMS HIS DETERMINATION NOT TO WITHDRAW FORCES UNILATERALLY OR TO SUBORDINATE THE SECURITY OF EUROPE OR THE INTERESTS OF THE ALLIES TO THE NEW RELATIONSHIP WITH THE SOVIET UNION. THERE IS STRONG EMPHASIS ON THE NEED TO RE-THINK NATO STRATEGY IN THE LIGHT OF TODAY'S CONDITIONS AND TO BASE THE APPROACH TO MBFR NEGOTIATIONS ON AN UP-TO-DATE AND AGREED CONCEPT OF SECURITY. WHILE FULL VALUE IS GIVEN TO THE "IMPRESSIVE RESPONSE" BY THE EUROPEAN ALLIES IN IMPROVING THEIR FORCES SINCE 1970, IN A WAY THAT REDUCED THE PROPORTIONATE SHARE OF THE US, THE ALLIANCE IS EXPECTED TO EXAMINE THIS YEAR THE PROBLEM OF REACHING A LASTING SOLUTION UNDER WHICH "BALANCE OF PAYMENTS CONSEQUENCES FROM STATIONING US FORCES IN EUROPE WILL NOT BE SUBSTANTIALLY DIFFERENT FROM THOSE OF MAINTAINING THE SAME FORCES IN THE UNITED STATES."
3. IN CONTRAST TO MR ROGERS' REPORT (MY TELNO 1348 NOT TO ALL) THERE IS NO MENTION OF AN INTENDED INITIATIVE ON THE MIDDLE EAST THIS YEAR.
4. THE REPORT CONVEYS A STRONG WARNING TO NORTH VIETNAM AGAINST VIOLATIONS OF THE PEACE AGREEMENT, BUT GOES NO FURTHER THAN THE ADMINISTRATION HAVE DONE BEFORE IN SPELLING OUT THE CONSEQUENCES OF CONTINUED NORTH VIETNAMESE BREACHES.

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/5. THE PRESIDENT

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5. THE PRESIDENT SAYS THAT HE INTENDS TO PAY AT LEAST ONE VISIT TO LATIN AMERICA THIS YEAR AND HOPES TO VISIT BLACK AFRICA "WHILE IN OFFICE".
6. NEITHER THE MONETARY NOR THE TRADE SECTIONS CONTAIN ANYTHING STARTLING: THE EMPHASIS IS ON A NEW ECONOMIC ORDER WHERE THE VIEWS OF ALL ARE TAKEN INTO ACCOUNT, BUT AS EXPECTED RESERVES ARE SEEN AS THE PRIMARY FACTOR TO LOOK AT WHEN DECIDING WHETHER ADJUSTMENTS ARE NEEDED, WHILE THE TRADE SECTION EMPHASISES OPPOSITION TO DISCRIMINATORY TRADING ARRANGEMENTS. IT IS REASONABLY OPEN-MINDED AND CONCILIATORY. THERE IS A SYMPATHETIC BIT ABOUT DEVELOPING COUNTRIES.
7. A SUMMARY AND MORE DETAILED COMMENTS WILL FOLLOW.

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Mr Overton



PRESIDENT NIXON'S FOREIGN POLICY REPORT

1. We have just received the full text of President Nixon's foreign policy report to Congress which was released yesterday.
2. Although it will be necessary to give this a wider distribution once we have had time to look through it, you may wish to have the attached copy immediately to look at the references to Europe and the Atlantic Alliance.
3. I am preparing a draft drawing attention to points of particular interest in the Report.



G. P. Archer
North America Department

4 May 1973

cc EID Mr C M Rose
WOD Mr HBC Keeble
WED Mr J A Robinson
TRD Mr J O Wright
Planning Staff Sir Thomas Brimelow

} Will copy of Table of Contents,
Introduction, Part III, Part V,
Part VI and Conclusion only.

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UNITED STATE FOREIGN POLICY 1972

1. A copy of the introductory note by the US Secretary of State to his 1973 Report on United States Foreign Policy together with a summary of the European chapters of the Report has already been circulated to interested departments.
2. The Report is of more than 700 pages in length and a few copies are available in North America Department. Departments will be particularly interested to look at the attached copies of particular sections of the Report with which they are concerned.
 - (a) Pages 315-323 dealing with Eastern Europe.
 - (b) Pages 403-442 dealing with Latin America.
 - (c) Pages 76-80 dealing with defence and security assistance. The section at the top of page 78 about Alliance diplomacy, beginning "Cardinal tenet ... throughout the world" is possibly a reference to suspicions in the Alliance of bilateral delays between the US and the Soviet Union.
 - (d) Pages 149-159 on narcotics. It seems that the US Government have good cause for satisfaction both in the initiative they have taken and the success they have achieved so far in this field. Hong Kong receives a brief mention at the bottom of page 157. There was some discussion about how Hong Kong could be represented in the effort that was being made to control the narcotics trade. Our Embassy in Washington have commented that this is a field where both our direct interests and our interest in Anglo/US relations demand strong cooperation with the US Government and Mr Graham in particular has noted that the whole Report leaves him with the impression of /very

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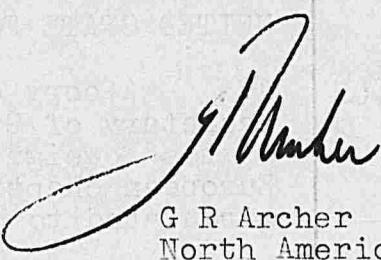
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very active and imaginative diplomacy in a number of practical fields, narcotics, terrorism fisheries etc and the feeling that the record compared favourably with our own.

- (e) Pages 229-252, dealing with management may be of interest to the Inspectorate. Would they give these pages any further distribution to administrative departments that they think appropriate.
- (f) Page 293. The United Kingdom section includes reference to Northern Ireland and this appears satisfactory.
- (g) Pages 9-16 refer to investment and there is a rather tendentious (and perhaps not quite accurate) reference to British exchange controls on page 13; this seems to be too minor in the context to trouble about. The plug for multilateral corporations on pages 10-14 is a rejoinder to Burke-Hartke and of interest.



G R Archer
North America Department

4 May 1973

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TEXT
FROM U.S.I.S.

UNITED STATES INFORMATION SERVICE, AMERICAN EMBASSY, LONDON

PRESIDENT NIXON'S FOREIGN POLICY REPORTEUROPE AND ATLANTIC ALLIANCE

Following are excerpts from the Europe and Atlantic Alliance section of President Nixon's Foreign Policy Report to the Congress:

(Begin excerpts)

ATLANTIC PARTNERSHIP AND EUROPEAN UNITY

Throughout the post-war period, the United States has supported the concept of a unified Western Europe. We recognized that such a Europe might be more difficult to deal with, but we foresaw manifold advantages. Unity would replace the devastating nationalist rivalries of the past. It would strengthen Europe's economic recovery and expand Europe's potential contributions to the free world. We believed that ultimately a highly cohesive Western Europe would relieve the United States of many burdens. We expected that unity would not be limited to economic integration, but would include a significant political dimension. We assumed, perhaps too uncritically, that our basic interests would be assured by our long history of co-operation, by our common cultures and our political similarities.

The Economic Dimension. The advance toward the goal we supported for so long has, in fact, created a new dimension in European-American relations. Mutual prosperity developed on the principle of relatively free trade. As the European Community progressed, however, it designed policies to protect its own special interests. Moreover, its growing economic weight stimulated other States to protect their access to that thriving market of more than 250 million persons. The prospect of relatively closed trading systems within Europe, notably in agriculture, and in preferential arrangements with third countries, was proceeding as the United States was suffering an increasingly unfavourable balance of payments.

In the area of monetary policy, the European Community has to a large degree been preoccupied with the search for a reasonable path toward internal monetary unity. At the same time, the growing strengths of some of its national economies -- and relative weakness of others -- have both impeded that progress and limited the will and ability of Europe to deal effectively and expeditiously with fundamental reform of the international monetary system.

The Europeans have thus been pursuing economic regionalism; but they want to preserve American protection in defence and an undiminished American political commitment. This raises a fundamental question: can the principle of Atlantic unity in defence and security be reconciled with the European Community's increasingly regional economic policies?

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We have also faced challenges in redefining our relationships with the other North American member of the Atlantic Alliance -- Canada. Our northern neighbour has been reassessing its position in the world just as we have been establishing a new view of our own. Frank reappraisals of our respective interests have brought some new problems to the fore, particularly in economic relations between the two countries. When I visited Ottawa in April 1972, I reaffirmed with Prime Minister Trudeau our common belief that mature partners must have autonomous, independent policies and explored with him how we might work together while respecting Canada's right to ensure its own identity and to chart its own economic course.

A Comprehensive Approach. We thus face a new situation. There are elements of economic conflict, and there has been a lack of direction. Concrete economic issues, not abstract principles, must be addressed. But if economic issues are confronted in isolation, or from purely technical perspectives, each party will try to protect its own narrow commercial interests. The outcome will be a deadlock, with the prospect of constant conflict.

The overriding task is to develop a broader political perspective from which we can address these economic questions, one that encourages reconciliation of differences for the sake of larger goals. Each partner will have to subordinate a degree of individual or regional autonomy to the pursuit of common objectives. Only by appealing to interests that transcend regional economic considerations can inevitable deadlocks be broken.

We have begun to move toward a comprehensive European-American dialogue. An essential first step was the European decision on the nature and scope of the relations with the United States. Last October, the leaders of the European Community met to chart their long-term course. The keynote was sounded by President Pompidou:

"Our links with this great country, the world's foremost economic power, with which eight of our countries are united within the Atlantic Alliance, are so close that it would be absurd to conceive of a Europe constructed in opposition to it. But the very closeness of these links requires that Europe affirm its individual personality with regard to the United States. Western Europe, liberated from armies thanks to the essential contribution of American soldiers, reconstructed with American aid, having looked for its security in alliance with America, having hitherto accepted American currency as the main element of its monetary reserves, must not and cannot sever its links with the United States. But neither must it refrain from affirming its existence as a new reality."

This was an invitation to begin the complex process of redefining our basic partnership, a goal we had set in 1969. Accordingly, on October 27th, I strongly endorsed the European Community declaration...

The stage is now set for comprehensive negotiations with our European partners. In effect, these negotiations began in my meetings with Prime Minister Heath, NATO Secretary General Luns, Premier Andreotti, and Chancellor Brandt. They will continue when I meet with President Pompidou and when I visit Europe later this year...

Major negotiations will begin next fall on international trade. Our basic objectives are to restore the integrity of a more open trading system that was the underlying principle of the General Agreement on Tariffs and Trade (GATT), and to halt the drift toward economic protectionism on both sides of the Atlantic.

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UNITED STATES INFORMATION SERVICE, AMERICAN EMBASSY LONDON

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INTRODUCTION TO PRESIDENT NIXON'S FOREIGN POLICY REPORT

Following are excerpts from the introduction to President Nixon's Foreign Policy Report to the Congress:

(Begin excerpts)

...My previous reports chronicled our progress during the first three years of this Administration. Despite shifting currents, and recognizing that the calendar cannot draw neat dividing lines, there has been a positive evolution.

In 1969, we defined our basic approach, drawing the blueprint of a new strategy for peace.

In 1970, we implemented new policies, building toward peace.

In 1971, we made essential breakthroughs, and a global structure of peace emerged.

This past year we realized major results from our previous efforts. Together they are shaping a durable peace.

-- Three years of careful groundwork produced an historic turning point in our relations with the People's Republic of China. My conversations with Chinese leaders in February 1972 re-established contact between the world's most powerful and the world's most populous countries, thereby transforming the post-war landscape. The journey to Peking launched a process with immense potential for the betterment of our peoples and the building of peace in Asia and the world.

Since then we have moved to concrete measures which are improving relations and creating more positive conditions in the region. China is becoming fully engaged with us and the world. The process is not inexorable, however. Both countries will have to continue to exercise restraint and contribute to a more stable environment.

-- The May 1972 summit meeting with the leadership of the Soviet Union achieved a broad range of significant agreements. Negotiations across a wide front, which set the stage for the meeting, were successfully concluded in Moscow. Progress in one area reinforced progress in others. For the first time two nations agreed to limit the strategic weapons that are the heart of their national survival. We launched co-operative ventures in several fields. We agreed on basic principles to govern our relations. Future areas of co-operation and negotiation were opened up. There has been, in sum, major movement toward a steadier and more constructive relationship. On the other hand, areas of tension and potential conflict remain, and certain patterns of Soviet behaviour continue to cause concern.

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-- The attainment of an honourable settlement in Vietnam was the most satisfying development of this past year. Successful Vietnamization and intensive negotiations culminated in the agreement signed on January 27, 1973. This was quickly followed by a settlement in neighbouring Laos in February. The steady courage and patience of Americans who supported our policy through the years were echoed in the moving salutes of our returning men. But the coals of war still glow in Vietnam and Laos, and cease-fire remains elusive altogether in Cambodia. Much work remains to consolidate peace in Indochina.

-- In Western Europe inevitable strains of readjustment persisted as we moved from American predominance to balanced partnerships. Generally these were healthy manifestations of the growing strength of countries who share common values and objectives. With less fanfare, but no less dedication, than in our negotiations with adversaries, we consulted closely with our friends. Such a process may not be as susceptible to dramatic advances, but we believe that we have paved the way for substantial progress in Atlantic relations in the coming months. Major political, security, and economic negotiations are on the agenda. They will test the wisdom and adaptability of our Alliance.

-- There was continued evolution toward a more mature and equitable partnership with Japan. Confidence in our shared purposes, which appeared shaken in 1971, has since been reaffirmed. Nevertheless we have not yet fully defined our new political relationship, and serious economic problems confront us. Our relations with Tokyo will be an area of prime attention during the coming year.

-- In the past year we advanced toward major reform of the international economic system. With others we have launched proposals to create a more stable international monetary system and a more open world trading order through new international trade negotiations. This process of readjustment is not without crises, however, and voices of narrow nationalism are heard on both sides of the ocean. We have a long and difficult way to go.

-- The explosive Middle East continued in the twilight zone between peace and open conflict. The cease-fire arranged at our initiative lasted into its third year, but no genuine progress was made toward a permanent settlement. Some foreign military forces were withdrawn from the region, but the mix of local animosities and external power still makes the Middle East a most dangerous threat to world peace. Efforts to find political solutions are menaced by the upward spiral of terrorism and reprisal.

-- For the South Asian sub-continent it was a year of rebuilding and readjustment after the conflict in 1971. India, Pakistan, and the new nation of Bangladesh made tentative moves toward accommodation. But there is still a long road to the stability and reconciliation that are required if the massive human needs of one-fifth of mankind are to be met.

-- In the Western hemisphere the United States followed its deliberate policy of restraint, encouraging others to furnish new concepts as well as resources for hemispheric development. A healthy process of regional initiatives and self-definition is now underway, and the foundations have been established for a more mature partnership with our Latin American friends. The common task of redefining and imparting fresh purpose to our community, however, is far from completed.

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-- Asia has witnessed a settlement of the Vietnam war and major developments in relations among the principal powers. It is there that the Nixon Doctrine has been most extensively applied. There has been positive growth in self-help and regional co-operation. But these nations are entering a period of delicate readjustment and American steadiness will be crucial.

-- In Africa our goals remained economic development, racial justice, and a stable peace resting on independent States. We continue to recognize, however, that these are largely the tasks of the African nations themselves -- and there were both hopeful and discouraging events this past year. Our policies of restraint and economic support are designed to help Africa realize its rich potential.

-- We moved down the inter-related paths of national security, arms control, and a strong defence. The strategic arms limitation pacts with the Soviet Union were a milestone, but major tasks remain -- the extension of limitations on strategic arms and then their reduction; the mutual and balanced reduction of conventional forces in central Europe. In our defence posture we have maintained a clearly sufficient power, and we reached an all-volunteer army. But we are still searching for doctrines and deployments fully adequate to changing times and surging costs. Our fundamental principle remains keeping America strong enough to preserve our vital interests and promote the prospects of peace.

-- We paid increasing attention to global issues that more and more demand international solutions. Progress was encouraging in some areas, such as reducing the flow of drugs. The world community still refused to grapple effectively, however, with other issues such as terrorism. The global dimension of diplomacy has been developing unevenly...

Since last year's report, there has been historic progress. A changed world has moved closer to a lasting peace. Many events were colourful, but their true drama is that they can herald a new epoch, not fade as fleeting episodes.

As in any year, however, there were disappointments as well as successes. And wherever there is progress, new challenges are added to an always unfinished agenda.

Shaping a peaceful world requires, first of all, an America that stays strong, an America that stays involved.

But the United States alone cannot realize this goal. Our friends and adversaries alike must share in the enterprise of peace.

The President and the Administration alone cannot pursue this goal. We need the co-operation of the Congress and the support of the American people.

It is to these audiences at home and abroad that this report is addressed.
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We believe there should be a gradual reduction in tariffs and other barriers to trade in both industrial and agricultural products. We believe also that the adverse effects of preferential trading arrangements between Europe and less developed countries should be eliminated. Such arrangements should not work against the ability of the United States or others to compete in European markets or those of the countries with which it has special trade arrangements...

ALLIANCE DEFENCE

In April 1969 the North Atlantic Alliance completed its twentieth year. For two decades the nations of the Atlantic community had been united in a formidable coalition. No military alliance in modern times has so successfully maintained the peace...By the mid-1960's, however, it was increasingly clear that military conditions had changed and that earlier strategic assumptions were no longer realistic. At the meeting of NATO Foreign Ministers in April 1969, I stressed the need to re-examine the Alliance's military position in light of the strategic and political environment of the 1970's...

Throughout 1969 and 1970 the United States and its allies engaged in a searching re-examination of defence policy. The principal results, announced in December 1970, were significant:

-- All agreed it was essential to reverse the trend of declining capabilities and adopt a concerted, long-term programme to improve existing conventional forces.

-- The European allies agreed to a specific five-year programme to improve and modernize their own forces by spending more for equipment.

-- The Alliance concluded that a commitment of substantial U.S. forces was indispensable to Western Europe's defence.

-- We, in turn, reaffirmed our commitment to maintain and improve our own forces in Europe, given a similar effort by the allies.

Force Improvements. Our European allies increased defence expenditures in both 1971 and 1972. Even allowing for inflation, the net increase was three to four per cent. In each year since 1970, they have committed an additional \$1 billion through the European Defence Improvement Programme. Their defence budget increases in 1972 were more than \$1 billion, and last December the European Defence Ministers announced that in 1973 their additional contributions would total \$1.5 billion. Since 1970, the European allies have increased equipment expenditures by \$1.4 billion. During 1971 and 1972 they bought 1,100 Main battle tanks, 700 anti-tank weapons, and 400 modern combat aircraft, as well as other equipment. This has been an impressive response in a period of rising costs and of growing demands of domestic programmes.

Sharing The Defence Burden. Improvements in European forces are the most important aspect of sharing the defence burden. As almost all European defence expenditures are directly related to NATO, increased European effort means in practice that the U.S. share is less. This is an appropriate solution, since the United States maintains forces to meet global commitments and therefore devotes a much higher share of its economic product to defence than do the Europeans.

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There is another aspect of the defence burden, however, that has not been satisfactorily resolved. Our position is unique in that our deployments in Europe add significantly to our general balance of payments deficit. In 1972 the United States spent about \$2.1 billion in other NATO countries to support our NATO deployments. Allowing for NATO military spending in the United States, mainly for equipment and training, our net military deficit was about \$1.5 billion. This net deficit has risen since 1970 and for a variety of reasons, including the devaluation of the dollar, will continue to rise.

In previous years, the Federal Republic of Germany offset a large part of this deficit, primarily by purchases of military equipment in the United States. In the current agreement for 1972-73, the German Government also contributed to the costs of rehabilitating the barracks for U.S. forces in Germany.

Nevertheless, the Alliance as a whole should examine this problem. As a general principle, we should move toward a lasting solution under which balance of payments consequences from stationing U.S. forces in Europe will not be substantially different from those of maintaining the same forces in the United States. It is reasonable to expect the Alliance to examine this problem this year. Eliminating the periodic requirement to renegotiate a temporary arrangement with only one ally would strengthen the solidarity of the Alliance as a whole.

The Role of United States Forces... The conditions of this decade require the United States to maintain substantial forces in Europe. In conditions of near strategic parity, a strong capability to defend with non-nuclear forces becomes increasingly important; the United States contributes about one-quarter of NATO's forces in Europe's vital central region, though our allies' proportionate share of forces in the entire European NATO area is far higher.

The balance of conventional forces in the centre of Europe would be seriously upset by the unilateral withdrawal of a substantial number of U.S. forces. Unless our reductions were completely replaced by European forces, deterrence would be weakened. In the event of hostilities, a weaker conventional defence could confront the Alliance with the choice of either capitulating or using nuclear weapons immediately.

Defence co-operation within Europe may be a long-term alternative to the American troop contribution. But the prerequisite for such an alternative is a far greater degree of European political unity. Yet even if such unity develops, it is unlikely that the Europeans alone could maintain a strategic balance against the enormous nuclear power of the Soviet Union.

In short, disengaging our forces would risk serious instability in Europe, the consequences of greatly enhanced Soviet influence, and the dangerous implications of a greater reliance on nuclear weapons. If, on the other hand, we and our allies maintain our strength, we can contribute to political stability, reduce the likelihood of war, and conduct a credible diplomacy to negotiate a mutual reduction of forces.

We cannot enter serious negotiations if, at the outset, we or our allies allow our positions to weaken. I intend to maintain an effective American military contribution to the Alliance and to pursue negotiations for a mutual force reduction that will create a viable balance in which the incentives for attack are effectively eliminated.

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Unfinished Tasks. In the past four years the Alliance has diagnosed some fundamental weaknesses and agreed on remedies. In 1971 and 1972 we embarked on a concerted effort to improve our forces. The immediate and, in many ways, the most urgent problem has been faced. We are now in a position to examine more systematically some of the longer-term issues:

-- In the later 1970's, all allies will face the enormous expense of maintaining more sophisticated equipment, paying larger costs for personnel, and maintaining a high degree of combat readiness while national conscription may be eliminated or the terms of service reduced.

-- In these circumstances, it is essential to define more precisely what we mean by an adequate NATO defence. Specifically, what do we mean by forward defence? Should we plan for maximum effort during some initial period of combat? Should we plan for a sustained effort over a longer period? If so, for what purpose? Can we maintain the logistical support for a sustained defence?

-- If we can maintain the high level of conventional defence that is our goal, we still must examine our nuclear doctrines. When, in what way, and for what objective should we use tactical nuclear weapons? How do independent national nuclear forces affect Alliance decisions? Do we require different institutions to examine such over-riding issues within the Alliance?

-- What is the relationship between existing and planned defence programmes and the diplomatic effort to reduce forces?

The answers to these questions are vital to Alliance policy in the 1970's. They require urgent but careful consideration. The United States believes that a strong conventional defence is essential to credible deterrence and that the Alliance must also possess a credible nuclear deterrent. But in the strategic conditions of this decade these issues must be re-examined, and the contribution of each ally determined for the long term.

In particular, the prospect of mutual and balanced force reductions in central Europe raises some immediate questions for the Alliance. Mutual force reductions are first of all a military problem; specific reductions must be measured against their effect on our defence capabilities. We therefore need a common security concept within which we can contemplate some reductions. If we justify force reductions as part of a political accommodation, or as a means to promote detente, the Alliance will be involved in endless debate over what level of reductions will produce what degree of political relaxation. In such a debate, it would be almost impossible to find an answer that would satisfy everyone and that would not undermine security.

Our objective should be to create a military balance that is more viable because it deals with the concerns of both sides and is seen by all to be in the common interest. We want a greater degree of stability, in which neither side gains an advantage because of lower force levels.

The Alliance should thus proceed on three parallel courses: first, to continue the effort to bring our forces to the level and quality required by the doctrine of flexible response; second, to review the strategic options involved in conducting a nuclear defence if necessary; and third, to prepare

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within the Alliance a military-political framework that integrates defence planning with the diplomacy of negotiating mutual and balanced force reductions.

Alliance Diplomacy. Through most of the 1960's, the problem of reconciling allied unity with national diplomacy was not critical. East-West relations were virtually frozen. Confrontation requires less in the way of creative initiative, but put a premium on allied unity...

In 1969, the NATO allies were persuaded that new initiatives were required but, in the wake of the invasion of Czechoslovakia, were uncertain whether to renew contacts with the East. Some allies regarded a European security conference as a possible starting point; others urged negotiations on force reductions. The United States was preparing for Strategic Arms Limitation Talks. Unless we could agree on a common strategy, no substantial progress could be expected that did not strain our unity. Accordingly, in April 1969, I urged the Alliance to revive the process of close consultation and committed the United States to continuing Alliance review of SALT. Consultations would address certain general tasks.

First, we needed to identify the specific sources of tensions that might be resolved.

Second, we had to agree on how to manage the priorities and inter-relationship among major issues: those of primary concern to one country, for example West Germany's Eastern policy; those of regional concern, such as mutual force reductions and a European security conference; and those of international concern, such as SALT.

Third, we had to recognize that issues would be dealt with by different countries in different forums. Such diversity required an essential harmonization of purposes as well as a degree of national autonomy...

These past four years have been a period of active European and international diplomacy. In addition to the Berlin agreement and the German treaties, France agreed on a set of principles for political consultations with the Soviet Union. Canada agreed on a somewhat similar arrangement during Premier Kosygin's visit. West Germany and Italy negotiated long-term economic agreements with the Soviet Union. There have been several summit meetings between Soviet and West European leaders. And the United States agreed with the Soviet Union on strategic arms limitations, measures of bilateral co-operation, and some basic principles governing our relations.

In sum, the allies have intensified their national diplomacy within a framework of unity. But the very success of the past four years has created some new problems. Each of the European countries will want to continue the development of its own bilateral economic and political relations with the Soviet Union and Eastern Europe. The United States also wishes to pursue the favourable trends that have developed in our relations with the Soviet Union. Each of our allies naturally wants a major voice in negotiations affecting Europe as a whole, and in those aspects of Soviet-American relations that affect international stability.

Two specific issues will test the ability of the Western coalition to reconcile its unity with its diversity: the Conference on Security and Co-operation in Europe and the negotiations on Mutual and Balanced Force Reductions.

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The Conference on Security and Co-operation in Europe. In March 1969, the Warsaw Pact revived its proposal to convene a European security conference. Such a conference would be largely symbolic; its purpose would be to confirm the territorial and political status quo in Europe. There was some feeling in the West that this proposal should be accepted; it was thought that it might be a way to dissipate the tensions over the invasion of Czechoslovakia in August 1968 and to test Soviet policy. Some viewed it as a way of creating a better atmosphere for subsequent talks, while others saw it as a link to more specific issues, such as force reductions.

We were sceptical about symbolic acts that failed to deal with the substance of East-West tensions. The urgent issues of European security were the tensions over Berlin and Germany and the military confrontation in central Europe. We could not hand over our responsibilities in Berlin to a European conference. If we could not make progress on a central issue such as Berlin, the results of a broad conference would be illusory. To stimulate an atmosphere of detente through symbolic gestures could only lead to disillusionment and insecurity.

The United States, therefore, took the position that a European conference would only be acceptable if there was progress on specific issues, including the Berlin negotiations. A conference might be appropriate if individual countries succeeded in regulating their relations and resolving some of their territorial and political issues.

This was accomplished by West Germany's treaties with the Soviet Union and Poland, the quadripartite agreement on Berlin, and the SALT agreements. At my summit meeting with the Soviet leaders in May 1972, I agreed that we now could begin preparing for a European conference with the aim of broadening European co-operation.

Preparatory talks began last November to find out whether there was sufficient common ground to justify a conference of Foreign Ministers. A provisional agenda is being developed, which the Foreign Ministers could consider. Progress thus far suggests that the conference can be convened this year and that it may be possible to move forward on several important questions.

- The participants will address certain principles of security and co-operation. If all European countries subscribe to common principles of conduct, and carry them out in practice, there could be a further relaxation of tensions. Certain military security matters designed to improve confidence will also be considered.
- The conference would be an appropriate forum to discuss practical co-operation in economics, cultural exchange, science, and technology, on which there has already been progress in bilateral relations.
- The conference can consider how to facilitate contacts among the peoples of Europe and how to encourage countries to exchange ideas and information.

The Conference on Security and Co-operation in Europe thus can set a new tone for European relations and establish new modes of conduct and means of co-operation. These would be practical steps toward normal relations.

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Mutual and Balanced Force Reductions. ...The initial talks on Mutual and Balanced Force Reductions, now underway in Vienna, will lay the groundwork for more formal negotiations next fall. The military and arms control aspects of force reductions are treated in other sections of this report. Certain points that affect Atlantic political unity should be summarized.

Perhaps more than any other single issue, the problem of force reductions crystallizes the basic issue of reconciling Alliance unity and national diversity. We will need an unprecedented degree of unity on fundamental military and political security questions. The outcome of the negotiations will affect the entire Alliance, regardless of who sits at the table or which forces are reduced. Indeed, the very process of negotiating will test our common purposes.

Each member brings to this issue strongly held national viewpoints. We must avoid efforts to protect national interests by procedural devices or tactical solutions. That approach would merely defer or avoid the hard questions. Ultimately it will be disruptive and open the Alliance to exploitation by the other side. Our goal must be agreement on basic security principles. We must meet individual national concerns within a common concept of security, and forthrightly address the question of how to maintain our security at reduced force levels. The issues are highly sensitive, and Alliance discussions will be painstaking and difficult.

The United States is engaged in the most serious consultations with our allies to prepare for negotiations later this year. Force reductions in central Europe are, of course, an element of the complex U.S.-Soviet relations. The U.S. and Soviet forces are comparable in that they are not indigenous to central Europe and might be candidates for reduction.

The United States will not subordinate the security of the Alliance to Soviet-American relations. We are aware of European concerns in this regard. Repeated American assurances, however, have not alleviated these concerns. Mutual confidence within the Alliance will develop only through an agreement on the basic security framework for the negotiations.

RELATIONS WITH EASTERN EUROPE

The improvement in our relations with the Soviet Union during 1972 has created a better atmosphere for our relations with the countries of Eastern Europe. But we do not regard our relations with any East European countries as a function of our relations with Moscow. We reject the idea of special rights or advantages for outside powers in the region. We welcomed and responded to opportunities to develop our relations with the East European countries long before the Moscow summit. And we shall continue to seek ways to expand our economic, scientific, technological, and cultural contacts with them. Mutual benefit and reciprocity are governing principles.

As the post-war rigidity between Eastern and Western Europe eases, peoples in both areas expect to see the benefits of relaxation in their daily lives. These aspirations are fully justified. An era of co-operation in Europe should produce a variety of new relationships not just between governments but between organizations, institutions, business firms, and people in all walks of life. If peace in Europe is to be durable, its foundation must be broad...

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We remain ready to establish constructive relationships on a reciprocal basis with all countries in Eastern Europe. Differences in social, economic, and political systems exist, and must be acknowledged frankly. But they will not bar our co-operation with any country that seeks it.

THE OUTLOOK

In 1972, the face of world politics changed dramatically. But one constant factor in this changing pattern has been the close relationship among the Atlantic allies. It has been true, however, that as the relaxation of East-West tensions became more pronounced, some of our allies questioned whether the United States would remain committed to Europe or would instead pursue a new balance of power in which the older alignments would be diluted and distinctions between allies and adversaries would disappear. Apprehensions may be inevitable in a period of great international change after a long period of confrontation. As relations between adversaries are ameliorated, those not directly involved tend to worry that their own interests are somehow subordinate to new relationships.

But the United States will never compromise the security of Europe or the interests of our allies. The best reassurance of our unity, however, lies not in verbal pledges but in the knowledge of agreed purposes and common policies. For almost a decade the Alliance has debated questions of defence and detente -- some urging one course, others a different priority. Now the debates should end. We must close ranks and chart our course together for the decade ahead... (End excerpts)

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EMBARGOED FOR RELEASE AT 2300 BST, MAY 3, 1973

OFFICIAL
TEXT
FROM U.S.I.S.

UNITED STATES INFORMATION SERVICE, AMERICAN EMBASSY, LONDON

PRESIDENT NIXON'S FOREIGN POLICY REPORT -- CONCLUSION

Following is the text of the Conclusion portion of President Nixon's Foreign Policy Report to Congress:

(Begin text)

In the past four years, there have been fundamental changes and signal successes. We have cleared away vestiges of the past. We have erased or moderated hostilities. And we are strengthening partnerships.

The specific events or policies, however important, reflect a more profound enterprise. We are seeking the philosophical, as well as the practical, reorientation of our foreign policy. This is the primary challenge of a radically different world. If America is to provide the leadership that only it can, Americans must identify with new visions and purposes.

As we look toward this nation's two hundredth birthday, we shall continue our efforts -- with the people and the Congress -- to create this new consensus.

In the transition from the bi-polar world of American predominance to the multi-polar world of shared responsibilities, certain themes need emphasis. They indicate not only what our approach is, but what it is not.

We seek a stable structure, not a classical balance of power. Undeniably, national security must rest upon a certain equilibrium between potential adversaries. The United States cannot entrust its destiny entirely, or even largely, to the goodwill of others. Neither can we expect other countries so to mortgage their future. Solid security involves external restraints on potential opponents as well as self-restraint.

Thus a certain balance of power is inherent in any international system and has its place in the one we envision. But it is not the over-riding concept of our foreign policy. First of all, our approach reflects the realities of the nuclear age. The classical concept of balance of power included continual manoeuvring for marginal advantages over others. In the nuclear era this is both unrealistic and dangerous. It is unrealistic because when both sides possess such enormous power, small additional increments cannot be translated into tangible advantage or even usable political strength. And it is dangerous because attempts to seek tactical gains might lead to confrontation which could be catastrophic.

Secondly, our approach includes the element of consensus. All nations, adversaries and friends alike, must have a stake in preserving the international system. They must feel that their principles are being respected and their national interests secured. They must, in short, see positive incentive for keeping the peace, not just the dangers of breaking it. If countries believe

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-2-

global arrangements threaten their vital concerns, they will challenge them. If the international environment meets their vital concerns, they will work to maintain it. Peace requires mutual accommodation as well as mutual restraint.

Negotiation with adversaries does not alter our more fundamental ties with friends. We have made a concerted effort to move from confrontation to negotiation. We have done well. At the same time, our determination to reduce divisions has not eroded distinctions between friends and adversaries. Our alliances remain the cornerstones of our foreign policy. They reflect shared values and purposes. They involve major economic interests. They provide the secure foundation on which to base negotiations.

Although their forms must be adapted to new conditions, these ties are enduring. We have no intention of sacrificing them in efforts to engage adversaries in the shaping of peace. Indeed such efforts cannot succeed, nor can they have lasting meaning, without the bonds of traditional friendships. There is no higher objective than the strengthening of our partnerships.

Detente does not mean the end of danger. Improvements in both the tone and substance of our relations have indeed reduced tensions and heightened the prospects for peace. But these processes are not automatic or easy. They require vigilance and firmness and exertion. Nothing would be more dangerous than to assume prematurely that dangers have disappeared.

Thus we maintain strong military power even as we seek mutual limitation and reduction of arms. We do not mistake climate for substance. We base our policies on the actions and capabilities of others, not just on estimates of their intentions.

Detente is not the same as lasting peace. And peace does not guarantee tranquility or mean the end of contention. The world will hold perils for as far ahead as we can see.

We intend to share responsibilities, not abdicate them. We have emphasized the need for other countries to take on more responsibilities for their security and development. The tangible result has often been a reduction in our overseas presence or our share of contributions. But our purpose is to continue our commitment to the world in ways we can sustain, not to camouflage a retreat. We took these steps only when our friends were prepared for them. They have been successfully carried out because American backing remained steady. They have helped to maintain support in this country for a responsible foreign policy.

I underlined the vital importance of the redefined American role two years ago:

"Our participation remains crucial. Because of the abundance of our resources and the stretch of our technology, America's impact on the world remains enormous, whether by our action or by our inaction. Our awareness of the world is too keen, and our concern for peace too deep, for us to remove the measure of stability which we have provided for the past 25 years."

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Measured against the challenges we faced and the goals we set, we can take satisfaction in the record of the past four years. Our progress has been more marked in reducing tensions than in restructuring partnerships. We have negotiated an end to a war and made future wars less likely by improving relations with major adversaries. Our bonds with old friends have proved durable during these years of profound change. But we are still searching for more balanced relationships. This will be our most immediate concern, even as we pursue our other goals.

Where peace is newly planted, we shall work to make it thrive.

Where bridges have been built, we shall work to make them stronger.

Where friendships have endured, we shall work to make them grow.

During the next four years -- with the help of others -- we shall continue building an international structure which could silence the sounds of war for the remainder of this century. (End text)

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TO PRIORITY WASHINGTON TELNO 1010 OF 2 MAY. 73

U S FOREIGN POLICY REPORT FOR 1972.

(AM) RECEIVED IN
REGISTRY No. 72
- 3 MAY 1973
AMU 2/5

1. I AGREE THAT YOU SHOULD REPLY TO MR ROGERS ON THE LINES SUGGESTED IN PARAGRAPH 2 OF GRAHAM'S LETTER 2/15 OF 27 APRIL TO OVERTON.
 2. I HAVE RECEIVED A SIMILAR LETTER THROUGH THE U S EMBASSY. I WILL SEND A SHORT ACKNOWLEDGEMENT.
 3. DEPARTMENTS ARE NOW EXAMINING THE REPORT IN DETAIL. WE SHALL INFORM YOU OF ANY CONSEQUENTIAL COMMENTS OR QUESTIONS.

DOUGLAS-HOME

FILES
NAME
SIR T BRIMELow

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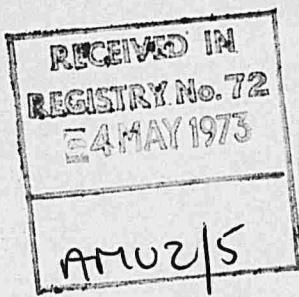
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Foreign and Commonwealth Office

London S.W.1

2 May, 1973



(4)

Thank you for your message of 26 April sending me a copy of your report to the United States Congress on American foreign policy in 1972. We are studying with interest this comprehensive account of your achievements during 1972. You can rightly take pride in what has been accomplished.

I share your hope that 1973 will be a year of substantial progress towards the more peaceful and prosperous world that we all desire. If we are to attain this we must all work together to reaffirm the underlying common interest of the western world. Continued co-operation and understanding between us is of the utmost importance and I stressed this in my speech in Scotland last week.

I have also read with interest your speech to the Overseas Press Club in New York on 23 April. Your confirmation that the U.S. fully intends to maintain its strength in Europe is most welcome.

(ALEC DOUGLAS-HOME)

P.A
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The Honorable
William P. Rogers.

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AMW 2/5

Speech by Secretary of State for Foreign and CommonwealthAffairs. Dunblane: 27 April, 1973

Although there are areas of serious trouble in the world, for example in Cambodia, Laos and Vietnam as well as in the Middle East, there is a greater opportunity to plan more constructively for prosperity and peace than there has been for many years.

Earlier this week Dr. Kissinger made a speech of real importance defining the philosophy behind President Nixon's declared intention to make 1973 "The year of Europe".

The central theme of Dr. Kissinger's speech, and of recent statements by the American Secretary of State, is the need for continued trust and cooperation between the new and expanded Europe and the United States of America. The horizons of this cooperation must, he argues, be extended to include Japan and Canada. I agree with him. For although this adds to the complexity of negotiation nothing less is adequate to secure prosperity in a climate of security.

The foundations of the Atlantic partnership have been laid and proved in past years. Our success in responding to earlier tests should give good grounds for hope for the future. Over the last 30 years the Atlantic Community have successfully faced both the Soviet threat and the challenge of post-war reconstruction.

The three qualities which have been constant and ensured success have been:

- (1) Adaptability - a willingness to experiment with new forms of cooperation and to solve problems flexibly in a spirit of give and take;
- (2) Frankness in communication - an ability to discuss openly our hopes and fears;
- (3) A broad/

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(3) A broad perspective - the capacity to view particular conflicts of interest in a broader framework of shared ambitions.

We shall need the same qualities and more so in facing the new challenges of the 1970's and 80's.

There is a wide range of shared activities and interests between the countries of the developed west. In the trade field, all are affected by the commercial weight of the enlarged European Community: by the tremendous performance of Japanese industry: and by the actual and innate economic power of the United States.

In the monetary field, we all need a system which will banish the recurrent crises of recent years. In defence Europe relies on the U.S. nuclear umbrella. The Soviet Union has reached near equality with America as a nuclear power. Too many resources are tied up by fear. Our problem is how to create the international climate which will enable us to reduce armaments without impairing that basic security on which alone confidence rests. In all these matters we should make sure that our attitudes are up-to-date and our institutions are flexible.

The issues, though not wholly new, have changed in character since the 50's and 60's. At that time we were reacting to an external adversary which was obvious. We were for example living in the shadow of the Berlin Airlift and the take-over of Czechoslovakia.

Now in an atmosphere of detente, even though the pace of rearmament in Russia has not slackened at all, the external challenge is less clear.

In such circumstances the partners who have for so long held the peace must not allow economic conflicts of interest nor problems of competition to impair the Atlantic partnership.

We must/

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We must identify differences and not allow discussion of the issues between us to be overlaid by a mood of suspicion and recrimination. We must call in aid that frankness of communication which in itself can do a lot to dispel fear and distrust. The Atlantic partnership is indispensable.

It is for this reason that I find Dr. Kissinger's speech both realistic and timely.

I welcome the confirmation that the United States Government will maintain its security commitments to the Allies. The security of the Atlantic area is still the priority for all the countries in it. We are therefore encouraged that President Nixon has repeated his pledge that United States' troops will not be withdrawn from Europe's defence (which is also America's defence) without a balancing reduction by the Warsaw Pact.

I welcome too the confirmation of United States support for European unity and for its further growth. Europe must build her economic strength and common purpose in order to pull her full weight in world affairs. The United States has always understood the re-enforcement which such unity should bring to the aid of peace everywhere. But it is timely that we should be reminded that cooperation between Europe, the United States and Japan means active avoidance of the block mentality. Our efforts must be consciously directed to expanding trade and investment on a world scale.

As a member of the European Community Britain can give a positive response to the spirit of Dr. Kissinger's approach. In an ideal world, we would have chosen a different time scale. We would have preferred that the new Community of Nine had time to shake down and find its way towards common positions with greater deliberation. But the pressure of events on both sides of the Atlantic and in Japan obliges us all to quicken the pace. The Community has already demonstrated, in the communiqué following the October Summit in Paris and in its subsequent

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actions, that its dynamism and sense of direction is strong. What is needed now is that its political cohesion should grow apace. It must, as a body, develop those qualities of adaptability, frankness of communication and broad perspective and recognise the scale of the events in which it is called to play its part.

Of course there will be difficulties in trans-Atlantic relations. The very closeness of the relationship between the United States and Western Europe, for all its benefits, multiplies the points of possible friction. Although the increasing cohesion of the Community will be a great source of strength to the West as a whole, it would be unreal to expect that the common policies of the Community will always coincide with the views of the United States. Given the scale of its external trade and financial reserves the Community must to some extent be seen by the United States as a powerful competitor. The Americans also feel some apprehension about the common agricultural policy. Europe for its part is anxious about some of the methods used by the United States to protect her industries.

What is the best way of resolving differences which exist or may arise? As a first step it is essential to have them out in the open. Areas of possible conflict need to be identified, analysed and solutions canvassed before a confrontation can develop. As Dr. Kissinger suggests, it will be necessary for both sides "to strike a new balance between self-interest and common interest".

I believe too that it is a mistake to ascribe too much uniformity to these problems or to hope to solve them in a single negotiation. Established institutions are already working on most of the issues. The time scales of their discussions differ. The IMF and its Committee of 20 are tackling the urgent problems of reforming the international monetary system: progress is needed this year. The GATT has begun preparations for multilateral trade^{*negotiations*} but it will be hard work to finish these by 1975, the target proposed by the Community and agreed by the United States.

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Then inside the Atlantic Alliance itself the problems of East/West relations as they relate to mutual security are being studied. The Alliance is now being called upon to sustain the cohesion and vigilance of the West during the search for genuine East/West detente. So far it has done well in this new role in preparation for the European Security Conference and in the preliminary approaches to talks on MBFRS. But continuing cohesion depends on the confidence of the members in one another. The Alliance can benefit from regeneration, but it would undermine that essential confidence if this were done in too critical a spirit. It is better in these matters of security to be slow and sure.

There is a conscious exercise in reconstruction and in reconciliation ahead of us. First, Europe has to show that integration works, that it gives results in terms of expanded growth. The Community will have to attend vigorously to its internal development, on the lines set forth at the Paris Summit last year. To hold back on integration through anxiety about the trans-Atlantic relationship would be a fundamental error. That would benefit no-one. An economically strong and united Western Europe may create some awkward cases of competition for the United States. But a weak and divided Western Europe would be a dangerous source of instability.

While that is so it is essential to reaffirm the underlying common interest of the Western world. While building up the identity of Europe we must seek the cooperation of the United States, Canada and Japan in Defence, in economic relations and in new problems such as energy supplies. We are all interdependent, both in prosperity and in security: this interdependence will grow and deepen. The policies which each adopts will touch the others at the most sensitive points, politically and socially, of their national life. There can be no thought then of being adversaries. We need compatible policies, however much work this requires. We should therefore give the political imperative of cooperation and understanding

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priority over technical and doctrinal differences. In every sector there should be the strongest incentive to work for agreed solutions. Dr. Kissinger has made clear the resolve of the United States Government to follow this approach and to concentrate its political will to this end. We are equally resolved: and we are ready to play our part in discussions at the highest level to preserve the harmony of the West.

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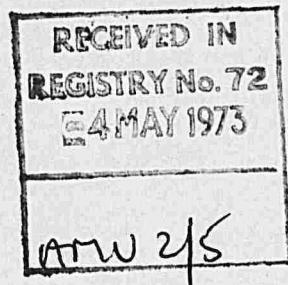


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Foreign and Commonwealth Office

London S.W.1

2 May, 1973



(3)

Thank you for your letter of 26 April enclosing a copy of the annual report to Congress on U.S. foreign policy in 1972 and Secretary Rogers' message.

I would be grateful if you will convey to the Secretary of State the attached letter in reply to his message.

(ALEC DOUGLAS-HOME)

Mr. Earl D. Sohm

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Mr Overton

(6)

RECEIVED IN
REGISTRY No. 72
- 4 MAY 1973
AMU 2/5

US FOREIGN POLICY REPORT FOR 1972

- A(3) 1. The United States Secretary of State has sent copies of his annual report to Congress, under cover of letters, to the Secretary of State and HM Ambassador in Washington, indicating in both letters/he would welcome any comment/views on the report.
2. The Chancery in Washington have suggested that the Ambassador should respond briefly to Mr Rogers' letter indicating that he has read the report with great interest, that it is an extremely good record of action and a useful guide to US policy and perhaps adding that he was particularly struck by the references to alliance diplomacy (extract at Flag A) and by the constructive and imaginative diplomacy being conducted by the US Government in a number of practical fields, such as narcotics, terrorism, the law of the sea, etc: these are the areas in which our two governments have the habit of working very closely together and we look forward to continuing cooperation in the year ahead. This appears to be a suitable acknowledgement and I recommend telegraphing to Washington as in the draft (Flag D) to agree to this response.
3. I submit a draft of a short reply to Mr Rogers' letter to the Secretary of State together with a draft covering letter to the Charge d'Affaires at the US Embassy.
4. As usual the US foreign policy report is mainly a record of what has happened and much less useful as a guide to overall US foreign policy than the President's "State of the World"

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P.A.G. 4/5

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message which is expected this week. For the layman or general reader it represents a very useful compendium of US foreign policy. The report is long and appropriate sections are being copied to Departments. The introduction however covers the whole field and a short summary of the main points of interest is attached.

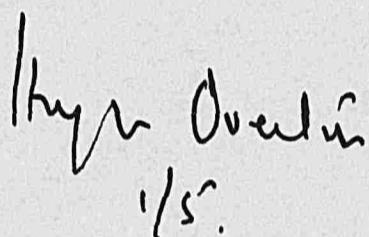


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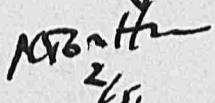
North America Department

30 April 1973

I agree with the draft's recommendations. To the draft telegram, I have added a reference to Kissinger's speech.


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2 draft letters to type for signature


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UNITED STATES FOREIGN POLICY 1972

REPORT BY THE US SECRETARY OF STATE TO CONGRESS

1. Copies of the US Foreign Policy report for 1972 have now been received. The report is a massive volume of 700 pages including appendices but there is a useful summary and a copy of this prepared by the US Embassy in London together with excerpts from the European section of the report is attached.
2. Points in the introduction of special interest are:
 - (1) MBFR and CSCE (page 2): A statement that the US Government will pursue these negotiations "to a conclusion that reduces the confrontation of forces in Central Europe"; and on the same page a firm statement that the Soviet Union must be aware of the US Government's determination that the matter of the inviolability of territorial boundaries should not be used as a pretext for ratifying a political division of Europe.
 - (2) Eastern Europe (page 3): Hope for improved relations with Czechoslovakia and Bulgaria in 1973 (and EESD to note in full report being circulated the warning against "the use or threat of force from any quarter" (page 316) - which the State Department tell us follows the formula proposed by Romania. The Soviets may not appreciate the choice of the photograph to illustrate this section (page 315).)
 - (3) South-East Asia (page 4): The aid programme to South-East Asia to involve other nations besides the US, notably Japan and the European Community.
 - (4) The Middle East (page 5): A statement of intention actively to encourage the parties to initiate, during 1973, a genuine negotiating process; coupled on the next page, with a restatement of the interim agreement as the preferred next step towards a final agreement.
 - (5) Latin America: Re-affirmation of Mr Rogers' intention to visit Latin America (page 6). (LAD will see also in the section of the report being circulated the admission that 1972 was a difficult year (page 405), and a reference to the OAS Assembly's helpful role in relation to the British Honduras dispute (page 406).)
 - (6) International trade and the monetary system (page 8): A restatement of the need for changes to ease access for US goods to Japanese and European markets, and the standard complaints about the CAP and reverse preferences. But coupled, on the next page, with a reiteration of the Administration's liberal trading intentions.

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- (7) Aid (page 10): Mr Casey to give special attention to the interlocking problems of trade and aid.
- (8) Law of the Sea (page 12): Special attention to be given to this in 1973 and 1974 - which is hardly surprising in the period before the Conference. Nothing new, in substance.
- (9) Terrorism etc (Page 12): Strong emphasis on the need for a new international convention to prevent safe-havens for hijackers and for another to provide protection for diplomats. (The US Government are seeking in a number of cases, as the report says, to achieve bilaterally what they have not achieved multilaterally, on extradition and punishment of hijackers.)

3. Copies of extracts from the full report are being circulated to interested departments.

Copies to: EESD
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SEAD
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SAD
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British Embassy
3100 Massachusetts Avenue NW Washington DC 20008

Telephone (202) 462-1340

RECEIVED IN
REGISTRY No. 72
7 MAY 1973

AMW 2/5

Your reference

Our reference 2/5

Date 27 April 1973

H T A Overton Esq
North America Department
FCO

Dear Hugh,

US FOREIGN POLICY REPORT FOR 1972

*P.A.G.
4/5.*

You will have seen the summaries in the press of Mr Rogers's 1972 report to Congress. It is a massive volume running to over 700 pages, including the appendices, but luckily it has a good index. You will probably have received copies of the report from the American Embassy, but we are arranging to send you six more for such distribution as you judge useful within the Office and elsewhere. For some reason the State Department are not distributing them free and we have arranged to buy these at \$3.75 per copy; if you want more we can get them.

2. In our telegram No 1348 of 19 April, we promised to comment if necessary. Having read the report I am not sure that there is any great need to say much more: for the layman or the general reader it represents a very useful compendium of US foreign policy, but I suspect that for the specialist there is little or nothing new in it. As usual, it is mainly a record of what has happened and much less useful as a guide to overall US foreign policy than the President's report, which we expect next week. The introduction, which is what the press has primarily summarised (pages I - XIX), covers the whole field and only the specialist need, in fact, read on. Points in the introduction that I have marked of interest are as follows:-]

- A (1) MBFR and CSCE (page ~~III~~): A statement that the US Government will pursue these negotiations "to a conclusion that reduces the confrontation of forces in Central Europe"; and on the same page a firm statement that the Soviet Union must be aware of the US Government's determination that the matter of the inviolability of territorial boundaries should not be used as a pretext for ratifying a political division of Europe.

(2) Eastern

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- 3.
- (2) Eastern Europe (page XII): Hope for improved relations with Czechoslovakia and Bulgaria in 1973 (and the warning against "the use or threat of force from any quarter" (page 316) - which the State Department tell us follows the formula proposed by Romania. The Soviets may not appreciate the choice of the photograph to illustrate this section (page 315).)
- 4
- (3) South-East Asia (page XI): The aid programme to South-East Asia to involve other nations besides the US, notably Japan and the European Community.
- 5
- (4) The Middle East (page XI): A statement of intention actively to encourage the parties to initiate, during 1973, a genuine negotiating process; coupled on the next page, with a restatement of the interim agreement as the preferred first step towards a final agreement.
- 6
- (5) Latin America: Re-affirmation of Mr Rogers's intention to visit Latin America (page VIII). (There are also in the later section the admission that 1972 was a difficult year (page 405), and a reference to the OAS Assembly's helpful role in relation to the British Honduras dispute (page 406).)
- 8
- (6) International trade and the monetary system (page X): A restatement of the need for changes to ease access for US goods to Japanese and European markets, and the standard complaints about the CAP and reverse preferences. But coupled, on the next page, with a reiteration of the Administration's liberal trading intentions.
- 10
- (7) Aid (page XIII): Mr Casey to give special attention to the interlocking problems of trade and aid.
- 12
- (8) Law of the Sea (page XV): Special attention to be given to this in 1973 and 1974 - which is hardly surprising in the period before the Conference. Nothing new, in substance.
- 12
- (9) Terrorism etc (page XVII): Strong emphasis on the need for a new international convention to prevent safe-havens for hijackers and for another to provide protection for diplomats. (The US Government are seeking in a number of cases, as the report says, to achieve bilaterally what they have not achieved multilaterally, on extradition and punishment of hijackers.)

N

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3. For the rest of the report, I think that departments concerned will probably need to read the sections for themselves (as I have said, they can be identified readily enough in the index). I would draw attention, however, to the section "Security Aspects of Foreign Policy", and in particular to the paragraph at the top of page 78 about alliance diplomacy:

"A cardinal tenet of our overall defense policy must be close consultation with our allies everywhere on all matters of common security interest. It is an indispensable means of reconciling national interests with the collective interest of an alliance. We have tried faithfully to observe this rule with our allies throughout the world."

Here, I think, is possibly a reference to suspicions in the alliance of bilateral deals between the US and the Soviet Union.

4. I should also like to draw attention to the passage on narcotics (pages 149-159). It seems to me, as a layman in this field, that the US Government have good cause for satisfaction both in the initiatives they have taken and the success that they have achieved so far. Hong Kong, I note, receives a brief mention at the bottom of page 157. There was some discussion about how Hong Kong could be represented in the effort that was being made to control the narcotics trade. This, it seems to me, is a field where both our direct interests and our interest in Anglo-US relations demand strong cooperation with the US Government. In general, the report left me personally with the impression of very active and imaginative diplomacy in a number of practical fields, narcotics, terrorism, fisheries etc, and the feeling that the record compared favourably with our own.

5. There is also a passage on management (pages 229-252) which the administrative departments might be interested in.

6. The UK has a section on page 292 et seq all of which, including the paragraph on Northern Ireland, is quite satisfactory.

7. There is, however, a rather tendentious (and perhaps not quite accurate) reference to British exchange controls on page 13, but this seems to be too minor in the context to trouble about. Apart from this, the remainder of the section on international investment and, indeed, the rest of the chapter on International Economic Policy, will be of interest to the Whitehall departments concerned. The plug for multinational corporations on pages 10-14 is a rejoinder to Burke-Hartke et al and of interest.

*Yours ever
JAN*

J A N Graham

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British Embassy
 3100 Massachusetts Avenue NW Washington DC 20008
 Telephone (202) 462-1340

H T A Overton Esq
 North America Department
 FCO

Your reference

Our reference

2/15

Date 27 April 1973

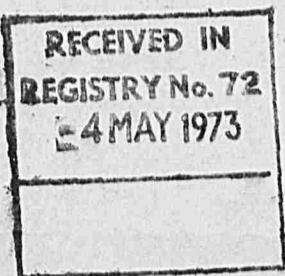
Dear Hugh,

US FOREIGN POLICY REPORT FOR 1972

I sent you some comments on this Report in my letter of today's date, and am sending your copies of the Report itself separately.

... 2. I now attach a copy of a letter from Mr Rogers to the Ambassador, inviting comments. Unless you have any specific comment to make, I propose to recommend an answer on the lines that the Ambassador has read the Report with great interest; that it is an extremely impressive record of action and a useful guide to US policy. The Ambassador should perhaps add that he was particularly struck by the references to alliance diplomacy on page 78 and by the constructive and imaginative diplomacy being conducted by the US Government in a number of practical fields such as narcotics, terrorism, the Law of the Sea etc: these are areas in which our two Governments have the habit of working very closely together and we look forward to continuing cooperation in the year ahead.

3. If you have any thoughts on this could you telegraph? You will see that Mr Rogers's letter is dated 19 April, so we should reply fairly soon.



Yours ever
 Hugh

J A N Graham

P. a. off 4/5.

Mail See (34)

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THE SECRETARY OF STATE
WASHINGTON

April 19, 1973

Dft to C. P. Marshall
R. Overton 2 3/4
27/4. 2/15

Dear Mr. Ambassador:

The emergence of new patterns for resolving conflict and reducing world tensions may well mark 1972 as the point of turning from confrontation toward the realization in President Nixon's words of "a generation of peace." My Annual Report on United States Foreign Policy, which I enclose, reviews the events and developments in the conduct of U.S. foreign relations during this landmark year. Since the events of 1972 are a prelude to the future, I have also indicated in the introductory comments to the Report what I judge to be the directions U.S. foreign policy should take in the years ahead.

I hope the Report will contribute to a clear understanding of U.S. foreign policy and its underlying goals, as well as prove a useful record of the role the United States has played in an era of increasing international tranquility.

Any comment the Report may suggest to you would be most welcome.

Sincerely yours,

William P. Rogers
William P. Rogers

Enclosure.

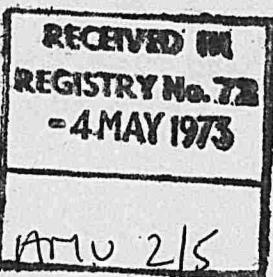
His Excellency
The Right Honorable
The Earl of Cromer, P.C., K.C.M.G., M.B.E.,
British Ambassador.

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(4)



April 26, 1973

Dear Secretary of State:

I have asked Chargé d'Affaires Sohm to present to you a copy of my report to the United States Congress on American Foreign Policy during 1972. You will find this to be a comprehensive record of the progress we believe to have been made during 1972 in turning away from the rigidities of the past and in reducing world tensions.

It also contains a statement of the objectives the United States will be pursuing during 1973, a year in which new patterns of international cooperation will be under construction that will greatly affect the future for all of us.

I would welcome any views you may wish to offer.

Sincerely yours,

/s/ William P. Rogers

The Rt. Hon. Sir Alec Douglas-Home,
K.T., P.C., M.P.,
Secretary of State for
Foreign and Commonwealth Affairs,
Downing Street,
London, S.W.1.

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EMBASSY OF THE UNITED STATES OF AMERICA
LONDON

= N.Y.O. for draft reply n.
April 26, 1973

P.R.B. H.
27/4.

RECEIVED IN
REGISTRY NO. 72
- 4 MAY 1973

AMU 2/5

Dear Secretary of State:

At the request of Secretary Rogers, I take pleasure in sending you the enclosed copy of his Annual Report to the Congress on United States Foreign Policy in 1972.

A message for you from Secretary Rogers is attached to the Report.

Respectfully yours,

Earl D. Sohm

Earl D. Sohm
Charge d'Affaires ad interim

The Rt. Hon. Sir Alec Douglas-Home,
K.T., P.C., M.P.,
Secretary of State for
Foreign and Commonwealth Affairs,
Downing Street,
London, S.W.1.

J. C. S.
4/15.

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U.S. EMBASSY LONDON

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Thursday,
April 19, 1973

THE FOLLOWING MATERIAL IS EMBARGOED FOR RELEASE AT
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RECEIVED IN
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25 APR 1973

UNITED STATES FOREIGN POLICY

1972

A REPORT OF THE SECRETARY OF STATE

INTRODUCTORY COMMENT BY THE SECRETARY OF STATE

1973 -- A YEAR OF BUILDING

(Begin text)

1973 will be a year of building in American foreign policy -- for in 1973 we will be initiating new negotiations and developing new relationships which could determine the political-economic structure of the world for the remainder of this century. As President Nixon stated in his second inaugural address: "We are embarking on an era that presents challenges as great as those any nation or any generation has ever faced."

We have reached this formative stage in international affairs as a result of the dramatic changes of the past year, changes due in substantial measure to innovations we began to introduce into American foreign policy four years ago.

We can take special pride in the four accomplishments of last year that are enabling us to complete the transition from the concerns of the past to the construction of a new and more peaceful international environment.

-- The profound transformation the United States brought about during 1972 in our relations with the People's Republic of China is opening new opportunities for an Asia at peace. A "new start" was the phrase Premier Chou En-Lai used in his toast during President Nixon's first night in Peking. Today -- as the first official Americans to reside in Peking since 1949 have already arrived -- there is no question that a new start in our relations is being carried forward. We are particularly hopeful that progress in U.S.-Chinese relations will lead toward an improving international climate throughout Asia.

-- Firm foundations for a new era of co-operative efforts between the world's two most powerful nations now exist in the aftermath of the Moscow summit. A fabric of common interests and of instruments of co-operation is being created that will serve to perpetuate better relations. And agreements to limit offensive and defensive arms have been concluded that may well be viewed historically as the critical point when risks of nuclear conflict between us turned permanently downward.

-- The flash point of Europe's dangers for 25 years, Berlin, has been defused, and the quadrapartite agreement has proven to be a major stimulant to favourable evolution in the European situation. Not only has the inner-German agreement followed, but movement toward conferences on European security and co-operation and on mutual and balanced force reductions has been hastened as a result.

-- The Paris agreement on Vietnam is bringing an end to this century's longest war. Though it is yet imperfectly observed a cease-fire has been established in Vietnam and Laos. And a framework for a peaceful environment in Indochina has been established.

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1972 was thus a year of achievement in our efforts to turn away from the rigidity of confrontation and the tensions of the cold war. 1973 will be a year during which we will concentrate on forging this progress into a durable structure of peace. In doing so we shall seek to accomplish nine objectives.

EUROPE, EAST AND WEST

First, we will co-operate with Europeans, Eastern and Western, in what we hope will be a decisive lowering of barriers to Europe's sense of unity -- seeking to enhance mutual security through strategic arms limitations and mutual and balanced force reductions and to free the flow of people and ideas throughout the continent.

Of the many significant developments taking place in U.S.-Soviet relations, negotiations this year on a permanent and comprehensive strategic offensive arms agreement will be the single most important. A successful conclusion of those negotiations will also be of importance to Europe as a whole, further stabilizing strategic relations under which Europe derives its basic protection.

On this as on so many other issues close co-operation between us and our allies in NATO continues to be of fundamental importance. We will consult closely with them throughout the course of these negotiations to ensure that their interests are taken fully into account.

The ABM Treaty we signed last year is a major contribution to strategic stability, but it must be accompanied by a permanent agreement on offensive strategic arms. The ABM Treaty could not have been achieved until the principle of equivalence had been met to the satisfaction of both sides. There should not be one standard for defensive and another for offensive arms. Essential equivalence must be achieved in this area as well -- equivalence based on the principles of comparable security and no unilateral advantage to either side. An agreement based on this approach would contribute to the maintenance of a stable U.S.-Soviet strategic relationship and enhance the security of both countries and of the entire world.

Exploratory talks have begun on a mutual and balanced reduction of forces in central Europe. Full-scale negotiations are expected to begin in the fall. Reductions in the forces that have so long faced each other in central Europe would further contribute to the strengthening of peace in Europe. Our own policies have been a motivating force in these negotiations. We will pursue them to a conclusion that reduces the confrontation of forces in central Europe.

In the meantime it is important that we do not unilaterally reduce our own forces, as some have advocated, and risk in consequence both the prospect of negotiating an agreed limitation on forces in central Europe and an unbalancing of the military relationship.

FREER RELATIONS WITHIN EUROPE

Just as we will seek to reduce the confrontation that impedes co-operation, so will we endeavour to help lower the political barriers that divide Europe. In the forthcoming Conference on Security and Co-operation in Europe we are well aware that the Soviet Union will be attaching considerable importance to the inviolability of present territorial boundaries. The Soviet Union must be equally aware of our determination that this issue not be used as a pretext for ratifying a political division of Europe.

Fortunately barriers are lessening and each State in Eastern Europe is now officially seeking to improve its co-operation with Western Europe. The conference will provide an excellent opportunity to widen the framework of relationships which engage them with ourselves and their neighbours. It is of particular importance that the conference achieve objectives agreed upon at the last meeting of NATO: closer, more open and freer relationships among all people in Europe, and a wider flow of information and ideas.

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It would be erroneous to presume that widely divergent national perspectives on the range of these freedoms do not exist. But we accept General Secretary Brezhnev's recent statement that the possibilities here are "quite broad" as an expression of a welcome intent to move toward us in an area of relations where we have such deep convictions.

RELATIONS WITH STATES OF EASTERN EUROPE

We anticipate also that significant advances will be made this year in our bilateral relations with States in Eastern Europe. Since the President's visit to Romania in 1969 concrete improvements have been achieved with Romania, Poland and Hungary in trade, in consular protection and services, in scientific and technological co-operation, and in cultural contacts. Our relations with non-aligned Yugoslavia have continued to progress.

During 1973 we hope to achieve substantial improvements with Czechoslovakia and Bulgaria. The Foreign Ministers of both countries told me at the U.N. General Assembly session last fall their governments would welcome concrete improvements. We share that desire and are responding to it. As has been the case with other States in Eastern Europe the conclusion of consular conventions will be the starting point.

In Moscow last spring President Nixon and General Secretary Brezhnev pledged our countries to recognize the sovereign equality of all States, to make no claim to any special rights or advantages in world affairs, and to seek to promote conditions in which no country will be subject to outside interference in its internal affairs. Full application of these principles is central to the detente so many now desire.

ECONOMIC RELATIONS

Both the Soviet Union and the Eastern European nations place commercial issues high on their agenda of bilateral interests. We also give high priority to expanding our trade with Eastern Europe. During 1973 as our relations with individual countries improve we will move to normalize trade and to initiate broader trade arrangements. We have submitted and are seeking approval of legislation which will authorize the President to extend most-favoured-nation treatment to the Soviet Union and to those countries of Eastern Europe and elsewhere who do not now have it. Such congressional action would be consistent with the improvement in our political relations; it will be of central importance in our efforts to increase trade with the Soviet Union and Eastern Europe.

The trade agreement we signed with the Soviet Union in October contemplates that U.S.-Soviet trade will triple over the 1969-71 level, rising to aggregate amount of at least \$1.5 billion. And in Eastern Europe we will endeavour to increase our exports significantly.

ASIAN PEACE

Second, we are turning our energies to the task of helping to build what hopefully will be Asia's first period of peace in forty years into a network of stability based on commitments to mutual non-interference, with the ultimate aim of bringing about co-operation among all of Asia's peoples.

To solidify and perpetuate the peace that has now been achieved in most of Indochina is, of course, a pressing objective to which we are devoting a maximum effort. Although a certain unsettled period is to be expected in the immediate aftermath of a ceasefire, to date we are not satisfied with implementation of the agreement. We are scrupulously carrying out the provisions of the settlement and we expect others to do so as well. The International Conference on Vietnam held in Paris from February 26 to March 2, 1973, was an important step in this direction. The conference participants endorsed the Vietnam peace agreement, pledged to observe its terms and support its full implementation, and to associate themselves with the peace-keeping process. They also agreed to respect the

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independence and sovereignty of Cambodia and Laos with a view to helping bring durable peace to those countries as well.

Our wider objective and hope is that with this peace all Asians can be freed from the bitterness of past confrontation so that they may concentrate on building and renewing co-operative relationships throughout the area. The United States supports and will continue to support efforts of Asian and Pacific nations to develop and expand regional co-operation.

At the same time America's role in Asia must remain strong and active. Continued American engagement in Asia is mandated not only by the volume of our current economic and political interests (our total trade with Asia now equals 85 per cent of our trade with Western Europe), but by the need to prevent a recurrence of the conditions that brought America into warfare in Asia three times within one generation.

The growing rapprochement in Asia, including of course our own and Japan's with China, will contribute to achieving stability throughout the continent. We take seriously the mutual commitment which the People's Republic of China and we made in the Shanghai communique that each of us would eschew and oppose attempts by anyone to impose hegemony in the Asia-Pacific region. Scrupulous adherence to this principle can be the building block from which more normal relations can be constructed throughout the area.

U.S.-PRC RELATIONS

In our bilateral relations with China we will work thoughtfully and energetically to ensure that last year's initial improvements prosper and expand during 1973. The establishment of liaison offices in our respective capitals, the agreement already reached on further cultural exchange and the progress anticipated in economic relations will all contribute to further development of normal relations. In Paris last month I was able to reach agreement in principle on the issues of U.S. private claims against the PRC and the frozen Chinese assets in the United States. We expect our trade in 1973 to increase significantly. We will urge that larger numbers of Chinese be sent to the United States as well as encourage an increase in the number of Americans going to China.

RECONSTRUCTION IN INDOCHINA

1973 must also be the year when the nations of Indochina shift decisively from the concerns of war to the tasks of reconciliation and reconstruction. A reconstruction programme in Indochina will not only hold out hopes of a better life to the peoples of these nations. It will be a major influence in ensuring the integrity of the peace we have agreed upon and even in altering the framework of relationships between us and North Vietnam. We look forward to a more constructive relationship with North Vietnam but neither this -- nor economic assistance -- will be possible unless the Vietnam agreement is fully carried out.

We see such a reconstruction programme as a fundamental aspect in our effort to extend the accomplishments of the peace agreement into broad stability throughout Southeast Asia and to Asia as a whole. We will be devoting particularly close attention this spring to ensuring that we have the means and capability of pursuing this policy to a successful completion. The programme will, and should be, one in which other nations -- notably Japan and members of the European Community -- also make an important contribution. We will consult closely with Congress on this programme.

SOUTH ASIA

For historical and cultural reasons Americans -- and many Asians -- tend to think of Asia in Far Eastern and Pacific terms. But the continent-wide stability and co-operation we seek to bring about cannot be complete without the participation of the nations of South Asia.

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The United States seeks a close relationship with each of the nations in South Asia.

Pakistan, Bangladesh and India will all have an important influence and effect upon Asian stability.

We will continue our strong support for the viability and cohesion of Pakistan because of our long-standing relationship and because of its importance to the stability of the entire region. Our support for the efforts of the new Government of Bangladesh to place the nation on a firm foundation of stability and progress will continue. In recent months, India has expressed a desire to improve relations with the United States. We reciprocate that desire. We will look to India as South Asia's largest nation, to play a leading role in building a climate for peace in South Asia which will contribute to peace throughout the continent.

MIDDLE EAST

Third, in the Middle East, the only remaining area of chronic conflict in the world where no negotiations are in progress, we will actively encourage the parties to initiate, during 1973, a genuine negotiating process.

Some people claim that the conflict between Israel and the Arabs, which has now lasted in chronic or acute stages for 25 years, is impossible to resolve.

Yet it has already proven possible to make progress through negotiation in other areas of passionate differences: in South and North Korea, South and North Vietnam, Pakistan and India, West and East Germany.

New prospects for an improved quality of life lie before all peoples of the Middle East which could bring about a national and human resurgence when a just peace releases energies from preoccupation with the past.

And the relaxation of tensions between the major powers, the continuing quest for a peaceful settlement in many countries of the area, and the maintenance of military calm make 1973 a favorable time for the process to get underway.

We know of no other way to arrive at the mutual clarifications of national interests necessary for progress toward peace than to engage, whether directly or indirectly, in negotiation. Outside forces cannot impose a settlement. We see no prospect for any other external means of narrowing differences.

For many months we have sought in the Middle East to convey one fundamental point: that agreement to negotiation requires no change of objectives but only a thoughtful approach to the possibility of mutually advantageous accommodation. That is the process that has taken place to the common benefit of peoples elsewhere -- a process we ourselves have benefited from in Vietnam. It is a process that would also benefit the peoples in the Middle East -- Palestinian, Israeli and the peoples in the Arab states concerned. It is in such a process, and not in nihilistic terrorism of the kind that took the lives of two of our finest diplomats in Khartoum, that hope for a better future lies.

If, as a first step, negotiations on an interim Suez Canal agreement can be brought about and pursued to successful implementation, as we believe possible, the result would: reinforce the cease-fire, separate the military forces of the two sides, result in partial Israeli withdrawal, open the Suez Canal to international commerce and, most importantly, create momentum toward a permanent settlement based on U.N. resolution 242.

I have placed such emphasis upon an interim agreement (not as an end in itself but as a step toward a final agreement) because of our continuing judgment that it is there where the issues are most susceptible to successful results. We continue, of course, to be open to any ideas the parties may suggest. We do not, however, view an interim agreement as an end in itself and recognize the relationship between any first step towards peace and the broader context of a final Arab-Israeli settlement.

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As recent visits to Washington by King Hussein, President Sadat's emissary Mr. Ismail, and Prime Minister Meir have emphasized, we remain in close consultation with the governments most intimately concerned.

LATIN AMERICA

Fourth, we will work to deepen our community of interests with the states of Latin America on global as well as hemispheric issues, supporting in particular the expanding roles so many Latin American states are assuming in world affairs.

The community which the two American continents have created is a community of broadly shared objectives, underlying mutual interests, geographic association, and significant intellectual, political and security ties. It is, as well, a community of economic cooperation: some 38 per cent of Latin America's total foreign trade is with the United States; Mexico is a trading partner of the United States on the level of France or Italy; and over half of U.S. private investment in the developing world is in Latin America.

At the same time we live in a period when isolation of the hemisphere has disappeared and when Latin America's involvement in an interdependent world is rapidly accelerating. Its foreign trade with Europe and Japan is now slightly higher than that with the United States. Mexico's established role in international affairs has for many years been an outstanding one. More recently continental-sized Brazil has sought a global role commensurate with its rapidly expanding strength. Other states, small as well as large, have contributed to the success of multilateralism in the United Nations and elsewhere.

Both they and we are now looking upon our community in new ways -- upon the collective contributions that can be made by the states of this hemisphere in world, as well as hemispheric, affairs. All of us will benefit from this wider role, for despite vicissitudes the contributions we individually make will largely complement one another. We intend, in fact, to work with the countries within this hemisphere in much the same pragmatic atmosphere of equality and cooperation and in the same global context as we do with those in the other community with which we are closely associated -- Western Europe.

But cooperation in global matters cannot be isolated from the health of our hemispheric association. I hope we will be able to bring about a franker and more useful exchange of views through instituting private consultations among foreign ministers at the start of O.A.S. sessions. The opportunity to exchange opinions informally would be a valuable contribution to improving cooperation and understanding. It would, for example, give us an opportunity to share views on world political developments and to ascertain how we can work together on such matters as the forthcoming trade negotiations.

We do not expect to eliminate differences of opinion and approach. But if our association is to realize its potential for mutual benefit, indeed if it is to avoid becoming a format for sterile recrimination, we and our neighbours will have to build upon areas of mutual interest and to resolve those conflicts which exist.

I recently told the foreign ministers of the Organization of American States that with the progress that has been made toward a more peaceful world we are now in a position to give our relations with Latin America more consistent attention. I will participate personally in this effort and will soon fulfill my long-standing desire to visit Latin America.

As part of our increased effort, we are now seeking approval of the generalized preference legislation we felt it necessary to defer in 1972. And Latin America will continue to be the recipient of substantial assistance -- aid which totalled 1.2 billion dollars in 1972. But it is through trade, private investment, and the normal course of international economic

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relations that the largest share of co-operation development for the hemisphere has always come and always will come. That is one of the reasons why it is important for countries who desire investment to apply stable rules upon which investors can count. And that is why we are approaching all economic co-operation with the developing world from a comprehensive not merely an assistance policy approach.

AFRICA

Fifth, we will continue to broaden our natural cultural and political relationship with Africa by strengthening our economic ties, in particular by accelerating the growth in trade and investment already taking place under policies we adopted in 1970.

In the last three years U.S. trade with Africa has risen by 30 per cent and our investments by 50 per cent. The still relatively modest dollar levels of these relations (\$3 billion in trade and \$4 billion in investment) can be significantly expanded.

Increased African production of raw materials and energy resources to meet the growing needs of industrialized societies will account for much of the increase of our imports and simultaneously provide opportunities for mutually beneficial investment. Nigeria and Libya, negligible oil producers in 1960, now rank seventh and ninth in world production. Natural gas from Algeria -- whose reserves are among the highest in the world -- has recently begun to arrive in U.S. ports. And Guinea ranks with Australia in possessing bauxite reserves almost 100 times those of the United States.

For the first time in many years, and inspite of promotional efforts, U.S. exports to Africa declined in 1972. There are, nonetheless, good opportunities for expanding our exports to Africa's rapidly developing markets. We intend to pursue them.

As the first Secretary of State to visit Africa, I know from my own experience how highly African States are motivated to develop their economic resources and their standards of living. We will contribute to that process both through grant and loan assistance and through the expansion of our normal economic contacts, a process of increasing contact and co-operation we expect to lead to more soundly based political relations as well.

In Nigeria, American investments now total 800 million dollars. Dynamic and well on the way to recovery from its civil war, Nigeria is one of those leadership countries in Africa and in world affairs with which we anticipate continued increases in consultation and co-operation.

In focusing upon the growth of economic ties we imply no dilution of American support for self-determination in those parts of Africa which have not yet had the opportunity to choose their own future. We will continue to encourage productive diplomatic means -- such as Secretary General Waldheim's initiatives of last year -- to give the peoples of Southern Africa the same choice as to their future that the bulk of the continent has already experienced.

INTERNATIONAL ECONOMICS

Sixth, we will endeavour both to restore our international economic position and to reach agreement on principles to govern an expanding international trade and monetary system.

In both previous reports on foreign policy I emphasized our expectation that economic relations will assume major importance in our foreign policy over the rest of this century. Economic policy increasingly occupies our time at all levels of government at home and of our diplomacy abroad. With the cessation of the war in South-East Asia and the improvement of relations with China and the Soviet Union, economic policy will be particularly prominent in 1973.

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We will, as a matter of urgency, be seeking (1) to improve the ability of American workers and businessmen to compete in world markets and (2) to restructure the international economic system so that the unprecedented growth of the world economy of recent years can be extended into the future.

The American economy remains by far the largest and most productive economy in the world. We must not let our concern over current problems obscure that basic strength. But obstructive trade barriers continue to distort the smooth and equitable growth of world trade. The world economy will benefit by the removal of such obstacles, as will the United States.

The currency realignments of 1971 and 1973 will be major steps in making it possible to restore our trading position. But monetary steps must now be supplemented by elimination of previously tolerated trading practices and restrictions that put extra burdens upon the dollar or upon the American exporter or investor. Changes are particularly necessary to make our access to Japanese markets more equivalent to their access to ours. They also are needed in Europe, where in the course of enlargement of the Common Market some obstacles to U.S. exports have been extended more widely, especially in agriculture, and where our trade account went into deficit in 1972 for the first time.

Accordingly we will be negotiating compensation in the GATT for impairment of trade interests which resulted from the enlargement of the European Community and from its special arrangements with other European countries. We will continue to press the Community to ease its restrictions on agricultural trade, and to eliminate reverse preferences for Community exports. We will work with Japan for an early reduction or elimination of import quotas and tariffs, improved access to the Japanese market for U.S. investors and businessmen, and increased Japanese Government purchase of American products.

Our economic health is increasingly linked to that of the world's long run economic health. Consequently we also will be pressing this year for basic reform of the international monetary and trade systems.

MONETARY REFORM

The broad principles of monetary reform which we wish to see adopted by the IMF Board of Governors this September were set forth by Secretary of the Treasury Shultz at the annual meeting of the International Monetary Fund last September. At the March 16 meeting of the Ministers of the Group of Ten countries and the European Community agreement was reached on measures to ensure maintenance of an orderly exchange rate system while the effort to reform the international monetary system is pressed ahead. This is a positive and encouraging result.

While considerable time is required before exchange rate changes can alter the balance-of-payments, we are satisfied that if acceptable trade arrangements can also be made we will soon move toward sustainable equilibrium in our payments position. But a sense of urgency in the current negotiations within the IMF's Committee of Twenty is now necessary so that the favourable effect of the devaluations of the dollar can be realized and a stable system created. We hope that the committee would be able to report agreement on broad principles of reform by the time of the annual meeting of the IMF in Nairobi this fall.

TRADE NEGOTIATIONS

While the monetary talks proceed, the first session of related negotiations on trade will open this September under the General Agreement on Tariffs and Trade.

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The Administration has submitted to the Congress a request for the comprehensive negotiating authority we consider necessary to attack agricultural as well as industrial restrictions and non-tariff as well as tariff barriers. In these negotiations we will insist that American products be given fair and reasonable treatment.

The authority which the President is seeking to raise tariffs in particular cases is designed to achieve that purpose, not to bring about increased barriers to trade. In fact, our objective is quite the opposite. For the past quarter century international trade has increased at a more rapid rate than world production, providing an essential stimulus to the most rapid global economic growth in man's history. The reduction of barriers to trade made this contribution possible. It must be continued.

During the trade negotiations we will, in particular, seek approval on these principal approaches:

- That tariff barriers on both industrial and agricultural goods should be reciprocally reduced to the point where they form no appreciable impediment to the flow or direction of international trade.

- That non-tariff restraints should be reduced over a moderate period of time and that remaining restrictions should be regulated under international agreement.

- That trade should continue to be organized on a global basis, not on the basis of trading blocs, and that reverse preferences favouring particular groups of developed countries should be removed.

- That particular account should be taken of the need to find solutions to the problems of developing countries.

- That an internationally supervised system of safeguards should be agreed upon to give industries adversely affected by shifting trade patterns time to adjust.

Neither the negotiations on trade nor on monetary matters will be completed in 1973. But success in establishing agreement on such basic principles will go far toward building tomorrow's economic system.

DEVELOPING NATIONS

Seventh, we intend to employ our economic policies more comprehensively than in the past to support the efforts of developing countries to accelerate their per capita rate of economic growth beyond current levels.

If the forthcoming trade negotiations are successful, the poorer nations of the world will benefit fully as much as the developed world. But neither trade nor assistance, developed nor developing nations' policies, investment nor nationalization, nor other separate efforts will suffice for dealing with what may well be the most important but difficult requirement of the next quarter century -- that of escalating the economic growth rate of the developing world.

Despite the high priority given to economic growth in most of the poorer nations, two decades of international assistance, and decisive breakthroughs in several States, the overall per capita growth rate in the developing world has only reached that of the industrialised countries in the past two years. Even with that accomplished, the fact remains that a 3 per cent per capita growth rate in a country like India produces an annual income increase of only 3.00 dollars while in the United States it produces 120.00 dollars. Thus no end is in sight in the increasing disparity between income levels of developing and developed nations. And within the developing countries, the benefits of modernization have been unevenly distributed, causing internal social and political problems.

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We must collectively seek to narrow these disparities lest North-South dissension replace the receding East-West conflict. We therefore intend to pursue a comprehensive policy designed to help stimulate social and economic progress, particularly higher rates of per capita economic growth in the developing world -- a policy not of aid alone but employing a wide variety of economic relationships, a policy involving co-ordination with other developed countries and requiring principal efforts from the developing countries themselves. We will pursue it in recognition of the fact that just as the developing nations need access to the capital and co-operation of the developed countries, so will we increasingly need their co-operation and access to what they can produce. The rapidly burgeoning needs of the industrialized world for energy and raw material resources offer new trade possibilities that will both augment production and foreign exchange earnings in the developing world.

I have asked the new Under Secretary of State for Economic Affairs, William Casey, to give special attention to this matter. Mr. Casey will be using the full resources of the Department and the Government to co-ordinate the use of such elements as restraints on population growth, international investment, trade expansion, preferences, multilateral institutions, grant and loan assistance, and debt relief in support of this purpose.

INDUSTRIALIZED NATIONS

Eighth, we will seek during 1973 both to strengthen the economic and political relationship among the world's industrialized, democratic countries and to create associations among us which will be more global in scope and more regular in nature than has previously been the case.

During 1973 we will be engaged in important separate consultations with the European Community, Japan, and other key friends. But bilateral approaches are no longer sufficient to handle the growing agenda of common political and economic concerns. A substantially higher level of world-wide co-ordination and co-operation is required among Japan, Canada, Western Europe, Australia, New Zealand and the United States if we are to solve common trade and monetary problems, continue the rapid expansion of the world's economy, and assist in the growth of the developing world. It is through wider co-operation also that we can best contribute our complementary strengths and common ideals toward building a politically sounder world.

We are one another's best trading partners and one another's most significant competitors. Our governments derive their authority from the freely expressed consent of their citizens. Our people share a common desire for an open and peaceful world. No longer can any of us satisfactorily think solely in Asian terms, in European terms, or in North American terms. For the health and strength of us all we must think and act in terms of us all.

One way in which this can be approached will be through enhanced co-operation in the Organization for Economic Co-operation and Development, the one organization whose membership is closely linked to these States. Last year the Executive Committee of the OECD was transformed into a high-level policy forum for consultations on the entire spectrum of our economic relationships.

We would like the new high-level policy forum to address the inter-relationship of all aspects of economic policies -- domestic and international -- and their impact upon the total economic system. We believe the OECD should be a centre for co-ordination of the more comprehensive development policies we consider necessary. And we would like to see it continue to be involved in an area it has only recently begun to deal with -- international investment, including the role of the multinational corporation.

At OECD Ministerial meetings we plan to continue our policy of including a senior State Department representative on our delegation. And we hope that the OECD may increasingly become a forum for broad co-operation beyond the technical items on specific agendas.

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The presence of Foreign Ministers at the United Nations General Assembly each year also provides a further opportunity for co-ordination at the policy level. I have found the various meetings I have each year with NATO foreign Ministers, Australia, New Zealand and Japan to be highly useful. An occasional opportunity for Foreign Ministers from these countries to exchange views collectively should improve co-ordination on the many matters that now affect us all. I hope we will be able to find time for such an exchange this fall.

We will of course be consulting with our friends about these ideas, as they may have other suggestions for strengthening our relationship.

EUROPEAN COMMUNITY

The enlargement of the European Community and the consequent strengthening of Western Europe's economic capabilities assure that 1973 will be a year of special attention to relations between the European Community and the United States.

We hope to be able to build such lasting ties that our relations with the Community will in time become a solid pillar of U.S.-European association such as we already have in NATO. To achieve this however we must overcome a number of economic differences arising out of the changes in Europe and out of our balance of payments situation. Western Europe as a whole now produces three-quarters as much as we do, and it has a greater share of world trade. We will accordingly be looking to them to assume a more equal share of common responsibilities.

JAPAN

We will also be engaged during 1973 in reinforcing our long-range political and economic association with Japan, an association as important to us across the Pacific as is our relationship with Western Europe across the Atlantic.

Last September Prime Minister Tanaka and President Nixon concurred that strengthening of our close ties would be an important factor for peace and stability in the evolving world situation." The solidity of these ties will be of particular importance as we each proceed to build closer relations with China and the Soviet Union.

A major correction in the trade imbalance between us (4.2 billion dollars in 1972 -- two-thirds of our overall trade deficit) understandably has high priority. Japan has accepted this correction as being one of its top priority tasks. We welcome its intention to lower tariffs and to promote import and capital liberalization, its decision to permit the yen to appreciate in the exchange market, and its stated desire to achieve an external equilibrium within the next two or three years.

CANADA

Our attention has understandably been drawn most recently to the changes in Western Europe and to Japan's dramatic growth. But it is Canada which will remain our largest single trading partner, and the major focus of private American investment. We hope to examine with Canada such areas as automotive trade and defence procurement to assure that benefits from our close trading ties are fully shared. And we intend to engage in more intense and varied co-operation with Canada to meet the environmental and energy problems of North America, in particular in carrying out the purposes of the Great Lakes Water Quality Agreement of 1972.

The next few years will be a time of testing of our bonds with all the industrialized, democratic nations as we work toward new relationships based on current security, economic and political imperatives. The adjustment will be neither simple nor painless. But we approach this adjustment with the confidence that it can lead to an era of co-operation bountiful for all our peoples.

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LAW OF THE SEA

Ninth, we will press forward toward building a world of multilateral co-operation and orderly relations under law, giving special attention in 1973 to preliminary agreement in the United Nations on a global law of the sea that will transform the oceans from an area of growing conflict into a source of growing wealth and co-operation.

In many concrete ways we are seeking to strengthen the contribution of multilateral institutions -- in particular of the United Nations agencies -- in creating a more co-operative and better regulated international community. Of substantial importance in the extension of such co-operation will be the first session of the U.N. Conference on the Law of the Sea, which will open this fall in New York following two years of preparatory work. That meeting will set into process an international negotiation in whose success all nations have an important stake.

The international communication made possible by the freedom of the seas and the potential resources that the seas contain in energy, food and raw materials are too important to permit the oceans to become centres of conflict. Yet the varying interests of coastal States in security and of naval powers in freedom of navigation, of coastal States in their adjacent resources and of the world community in the resources of the deep sea will produce just such conflicts unless we all accommodate for our long-range advantage.

That is why we are striving to reach early agreement on a comprehensive legal regime for the seas. Negotiation of a treaty will require most of 1974, but we will urge that this fall's opening session concur upon the objectives of:

- A maximum breadth of 12 miles for the territorial sea
- Free transit through and over straits used for international navigation
- Broad coastal State economic jurisdiction over mineral and fisheries resources in areas adjacent to the territorial sea, tempered by international standards which will protect legitimate interests of other States
- An international regime including machinery to authorize the exploration and exploitation of the deep seabed under agreed regulations
- Standards and controls to protect the marine environment from pollution, and
- An agreed regime which would promote marine scientific research.

NARCOTICS AND TERRORISM

A deeper commitment to orderly relations under law is also urgently required in the campaign to outlaw hijackers and drug smugglers. As chairman of the Cabinet Committee on International Terrorism and International Narcotics Control, I will continue during 1973 to pursue our war against these two threats to a more civilized world.

In 1972 we developed comprehensive anti-narcotics plans with each of the 59 nations involved in production, consumption or trans-shipment of illicit hard drugs. During 1973 we will translate these plans into action. With the movement toward eliminating Turkey as a source of opium well underway and with progress developing in Southeast Asia, we will especially concentrate upon interdiction of the drug traffic. Enforcement and improved intelligence are our two top priorities. We are obtaining increased co-operation from other countries in both areas. Our programmes have already caused shortages of heroin within the United States, hindering the recruitment of new addicts and hopefully driving many existing addicts into treatment. In 1973 we intend to

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intensify this pressure.

The international community's response to the narcotic issue has been gratifying. But its response to initiatives to suppress hijacking and terrorism has been disappointing, even short-sighted. An atmosphere not sufficiently hostile to assaults upon civilized comity among nations, such as the recent slaughter of two American and one Belgian diplomat in the Sudan, must be changed.

Although 63 airliners from 24 countries were hijacked and 245 passengers and crew killed or wounded in 1972, most nations of the world have so far been unwilling to take meaningful new action on hijacking or terrorism either at the United Nations or in the International Civil Aviation Organization.

On the bilateral front we have been more successful due to the agreement with Cuba on the extradition or punishment of hijackers. We hope to reach similar agreements with other countries, particularly in northern Africa.

We will also press again at the ICAO conference this August for a new international convention to prevent safe havens for hijackers. At the very minimum we will expect the assembly to establish international machinery to make investigations and recommendations in hijacking or sabotage cases.

If there was any doubt that international treaties should be adopted to provide for the protection of diplomats and for the extradition or punishment of persons who kill, seriously injure or kidnap innocent persons in a foreign State for political purposes, this year's outrages should terminate it. We will pursue the latter treaty vigorously in the U.N. Ad Hoc Committee on Terrorism scheduled to meet this summer. And we believe the United Nations should complete the Treaty on Protection of Diplomats at this fall's General Assembly.

CONCLUSION

This introduction can only hope to outline the most important of the Administration's foreign policy objectives. I have elaborated here upon those which collectively give 1973 the characteristic of a year of building -- the building of relations and institutions that could determine the course of the rest of the century. Given the President's strong interest and leadership in this effort, we have every reason to expect that further substantial progress toward lasting peace and co-operation will be made in the coming year.

It is now commonplace to hear that there are no more dramatic accomplishments possible in foreign affairs. I do not agree. 1973 can be a dramatic year -- not in breaking old patterns but in building new ones, a year when we begin to erect the framework for a generation of peace.

But 1973 will be just a beginning. The road ahead will be as difficult and dangerous as it will be promising. It will require the continued perseverance and engagement of this great nation. That is why our foreign policy must continue to be a policy of engagement -- engagement with adversaries in building co-operation, engagement with allies on a basis of shared values and interests, engagement with developing nations in the effort to raise the living standards of their people.

For many years the economic and political health of the world has been heavily affected by the State of the American society. Now our condition increasingly is affected by the welfare of others. The degree of interdependence among nations and many of the principal trends of international affairs are succinctly evident in the statistical indicators of the State of the world appended to this introduction. In concise terms they illustrate both the necessity of our engagement in the world and the nature of many of the issues the world must still face.

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In my first Foreign Policy Report, I expressed the hope that we could fashion a foreign policy which would overcome the deep and destructive divisions within this country and restore a sense of common purpose in America's approach to world affairs. Today the obstacles to such a common purpose have been overcome, and we have found a new self-confidence, devoid both of arrogance and of destructive self-doubts. The foreign policy objectives we are setting forth are moderate and constructive ones. It will be my earnest endeavour so to carry them out that the Administration and the Congress, the leadership of both parties, the Government and the citizenry can again move forward harmoniously in their support. With such co-operation 1973 will be a year of substantial progress toward the more peaceful and prosperous world we all desire. (End text)

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April 19, 1973EUROPEAN SECTION: STATE DEPARTMENT FOREIGN POLICY REPORT

Following are excerpts from the European Section of the State Department Foreign Policy Report, issued in Washington April 19, 1973:

(Begin excerpts)

EUROPE

Much of what was promising in relations between East and West in Europe in 1971 materialized in 1972. President Nixon's visit to Moscow in May dramatized this new movement toward reconciliation. The United States and its Western allies achieved key agreements with the East last year -- SALT, the final Quadripartite Protocol on Berlin, the Inner German Treaty, and a web of bilateral understandings. These accomplishments are striking evidence of how far the East and West have moved from confrontation to negotiation.

Still, caution is in order. Profound differences remain between the political systems and ideological perspectives of the members of the Atlantic community and the States of Eastern Europe. Achievement does not imply finality -- we have not yet reached the just and lasting settlement in Europe which is our common goal.

Relations with Western Europe in 1972 may not have attracted the same public attention as did the conduct of our affairs with the East Europeans, but our concern for the maintenance of strong, healthy ties with Western Europe was undiminished. The area remains at the core of U.S. foreign policy. Furthermore, there was solid accomplishment based on past U.S. initiatives, continuing effort and faithful adherence to Western commitments. In 1972, twenty-five years after the announcement of the Marshall Plan, Western Europe was economically powerful, militarily strong, and increasingly integrated. In this sound state of health, the United States could take a measure of pride and credit since European unity has long been a basic goal of American foreign policy.

The drive toward integration that would knit Western Europe into a strong, prosperous, and cohesive region made further progress at the end of the year with the formal entry of Great Britain, Ireland, and Denmark into an enlarged European Community of nine. In October the members-designate participated in the summit meeting of the Community, which set as its goal European union by 1980.

During the year we worked intensively with the Community and our other European trading partners to lay a firm foundation for negotiations in 1973 on international trade and monetary reform, including the need for adjustments arising from the enlargement of the Community.

We were also vigilant and active in the task of assuring strong Western defences. Our participation in the North Atlantic Treaty Organization (NATO) formed the heart of this task. Events of the year -- the President's visits to Peking and Moscow, SALT negotiations, preparation for basic East-West talks -- demanded the closest consultation and co-ordination with our Western allies. Much of this exchange took place in NATO. Channels of communication within the Alliance were deepened and improved by use. A number of NATO members known as the Eurogroup, devoted to European initiatives to improve NATO security, contributed to a more equitable sharing of the defence burden among us and our allies. Collaborating in

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NATO's Committee on the Challenges of Modern Society (CCMS), we wrestled with the problems that are common to the highly developed, industrialized nations of the Atlantic Community...

EAST-WEST NEGOTIATIONS TOWARD RECONCILIATION

CSCE

The signature in June 1972 of the final protocol of the Berlin agreement cleared the way for initial multilateral talk in Helsinki to prepare for a CSCE. The 34 participants in these talks, which opened at the Ambassadorial level on November 22, are seeking agreement on a CSCE agenda, the nature of issues for discussion under each agreed agenda topic, and the organization of the conference itself. The talks recessed before Christmas to resume again in mid-January 1973.

Going back several years, CSCE consultations in NATO have harmonized national positions and defined common objectives:

1. To enhance European security through negotiations on principles guiding interstate relations and on appropriate measures to reduce the dangers of military confrontation;
2. To improve co-operation in commerce and economics, science and technology, and the environment;
3. To bring about closer, more open and freer relationships among all peoples in Europe;
4. To stimulate a wider flow of information and ideas and a broadening of cultural relations.

The United States approaches these negotiations in a constructive spirit, recognizing, however, that it is difficult for such a large and diverse group of States to negotiate far-reaching agreements on fundamental problems of European security. Without expecting a dramatic transformation of East-West relations, we will strive for concrete improvements to narrow basic East-West differences and lead to freer contacts and communication among peoples.

MBFR

Based upon understandings reached in 1972, the way was opened toward East-West MBFR talks in 1973. In November, after full consultations in NATO, the governments of Belgium, Canada, the Federal Republic of Germany, Great Britain, Luxembourg, the Netherlands, and the United States extended formal invitations to the governments of the Soviet Union, Poland, Czechoslovakia, and Hungary to begin exploratory talks on force reductions in central Europe. Separately, the Federal Republic of Germany invited the German Democratic Republic to these talks. At the same time, the governments of Denmark, Greece, Italy, Norway, and Turkey indicated their interest in being present at the talks on a rotating basis. The exploratory discussions began in Vienna on January 31, 1973, and will lay the groundwork for formal MBFR negotiations scheduled for the autumn...

Allied studies on MBFR have focused on ways of reducing the level of forces on both sides while maintaining undiminished security. The chief difficulties are the inherent geographic advantage which the Soviet Union possesses in terms of mobilization and logistics, and the fact that NATO maintains fewer troops in central Europe than do the Warsaw Pact States. Other issues which must be resolved are the specific geographic area to be covered, the types of weapons and forces for reduction, the character of "stabilizing measures" or constraints which might be agreed upon, and provisions for verification of reductions.

NORTH ATLANTIC TREATY ORGANIZATION

While negotiations on CSCE and MBFR go ahead, the Warsaw Pact continues to upgrade its forces. In the vital central European region, increasing Warsaw Pact capabilities particularly in armour and tactical combat aircraft, challenge NATO's

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ability to maintain a rough military balance. Soviet maritime forces are strong in the Mediterranean and northern European waters, and in 1972 there were increasingly active Soviet deployments throughout the Atlantic.

NATO, therefore, must continue to look to its defences, recognizing that success in ongoing East-West negotiations will be dependent in large measure on the strength and self-confidence of the Alliance. We must improve NATO's military posture and reinforce the credibility of the strategy of flexible response. It becomes all the more necessary, therefore, to carry out those defence improvements identified in NATO's Study of Allied Defence in the Seventies (AD-70). Any reduction of the allied defence effort will increase the gap between the conventional capabilities of NATO and those of the Warsaw Pact.

We have also stressed the imperative of maintaining a close and effective NATO partnership during this era of East-West negotiations. Such partnership requires equitable sharing of the Alliance defence burden.

More equitable sharing does not mean that the United States will do less. It does mean, however, that we and our allies will work together with greater unity to meet the challenges of NATO security in the decade of the seventies. For our part, we have pledged to maintain and improve our forces in Europe -- given a similar approach by our allies -- and not reduce them unless there is reciprocal action by the other side.

The Eurogroup has become the focal point for the allies' progress in achieving a fairer apportioning of NATO's defence burden. The Eurogroup, composed of 10 European NATO members, is designed to make the best use of the defence resources available to each country. The Eurogroup already has a record of significant accomplishment:

-- In December 1970 it undertook the European Defence Improvement Programme (EDIP) calling for expenditures of \$1 billion over five years.

-- In December 1971 it announced that its members were increasing their defence budgets in 1972 by a collective total of well over \$1 billion.

-- In December 1972 it announced still another increase in defence budgets totalling about \$1.5 billion in 1973.

Eurogroup is not limited to working on increased defence budgets. It is improving joint training by making better use of existing facilities and creating joint training centres. It is encouraging co-operative efforts for harmonizing national logistics. It is seeking closer co-operation on medical services and armament research, development and procurement.

The Eurogroup operates within the overall framework of NATO and gives Europeans the opportunity to concert their efforts to improve the common defence. We applaud their success.

Examples of NATO co-operation illustrate the healthy activity of the Alliance:

-- There is now full agreement and financing for the establishment of a NATO integrated communications system. This new system, the largest infrastructure project ever undertaken by the Alliance, will insure rapid, secure communications among the NATO Council, the military authorities, and the capitals. The programme will be completed in 10 years at a cost of over \$500 million.

-- Preliminary plans and funding were completed on the construction of the NATO Weapons Training Centre in Crete.

-- In September 1972 NATO held a highly successful military exercise, Strong Express, the largest in NATO history, to promote the security of its flank members.

-- The NATO Aircraft Shelter Programme is nearing completion to enhance the effectiveness of tactical fighter aircraft wings.

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Still much remains to be done. With some 56 Warsaw Pact armoured and infantry divisions in Central Europe, we cannot afford to relax our defences.

THE COMMITTEE ON THE CHALLENGES OF MODERN SOCIETY (CCMS)

In the three years since its establishment in response to President Nixon's 1969 initiative, NATO's CCMS has made notable progress on urgent environmental and other problems affecting the quality of life. This progress has been accompanied by the increasing interest and participation of non-NATO nations and other international organizations in CCMS. The CCMS pilot study approach linking national programmes is proving a particularly effective means of international co-operation and stimulus to national action...

THE EUROPEAN COMMUNITY (EC)

The United States has consistently supported the movement toward European economic and political unity in the belief that a stronger, more united Europe will increasingly share in the responsibility for achieving a stable world order. During 1972 two major events advanced European unity significantly. The Community added Great Britain, Denmark, and Ireland to its membership. And in October, the nine Heads of State of the enlarged Community met and set for the Community the ambitious goal of transforming by 1980 "the whole complex" of member country relations into a "European Union." They also agreed to proceed to the second stage of economic and monetary union by the beginning of 1974, to establish a European Monetary Co-operation Fund, and to co-ordinate the fight against spiraling European inflation. They called for a regional development fund, financed from the Community's resources, to aid regions and countries within the Community which fall behind the general pace of development. And they asked the Community's institutions to prepare proposals for co-operative programmes to improve the environment, secure adequate energy supplies, and accelerate social development.

The summit reaffirmed strong support for multilateral negotiations in 1973 to reduce world trade barriers. It also set forth principles which should govern negotiations to reform the international monetary system. It called for constructive dialogue with the other industrialized nations of the world, particularly the United States, Japan, and Canada. And it acknowledged the necessity to increase assistance to the developing countries. To promote co-ordination of foreign affairs among the member States, the nine summit leaders agreed that their Foreign Ministers should meet four times a year and that the Subordinate Political Consultations Committee should meet eight times a year.

Responding to the summit meeting, President Nixon wished the Community well and welcomed its declaration "to maintain a constructive, forthcoming dialogue with us and its commitment to a progressive liberalization of tariff and non-tariff barriers to trade on a comprehensive basis during the major multilateral negotiations to begin next year."...

The policies of the European Community have generally been compatible with the responsibilities that the Community's economic strength entails and with the increasing world-wide economic interdependence. It has co-operated with the United States in negotiating substantial reciprocal tariff reductions in the General Agreement on Tariffs and Trade (GATT), which have helped to alleviate the impact of the Community's common external tariff on its outside trading partners. The Community and member States have maintained high levels of assistance to the developing countries, particularly those in Africa, with which it enjoys historically close relations. It has adopted a generalized tariff preference programme for these countries in response to U.N. Conference on Trade and Development (UNCTAD) proposals. In most cases, it has usually provided a favourable climate for private foreign investment within the Community.

The process of EC integration, however, has also resulted in some adverse consequences for the economic interests of the United States and other countries.

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A major problem has been the Community's common agricultural policy. The high support prices for farm produce have restrained the growth of U.S. exports and stimulated the production of farm surpluses which the Community has disposed of at subsidized prices on the world market in competition with U.S. produce. Another issue concerns the proliferation of preferential arrangements with EC periphery and African countries. (See section Toward a More Prosperous World: International Economic Policy.)

Major common tasks lie ahead for the Community and the United States in the coming year. As President Nixon has stated, together we must co-operate to bring about a new freedom of world trade and equity in international economic conduct. We must find effective solutions for the problems of the developing world. And we must forge new policies in such fields as energy, industrial development, and the environment. In these tasks Japan can also play a productive role...

THE UNITED KINGDOM

...Four high-level meetings with the British throughout 1972 provided opportunities for consultation or collaboration on a diverse range of international issues: NATO, MBFR, CSCE, international economic questions, the Middle East, India-Pakistan problems, Britain's efforts to solve the Rhodesian and Ugandan problems, the U.K. base agreement with Malta, and Persian Gulf developments. For the most part U.S. and U.K. positions on these matters were in harmony. Where differences did arise, such as on CSCE and MBFR, they were largely tactical or procedural. The British were particularly pleased with the results of Phase I of the Strategic Arms Limitation Talks (SALT).

Preliminary figures indicate that both U.S. exports to the United Kingdom and U.S. imports from the United Kingdom rose somewhat in 1972. The United States will probably have registered a slight trade surplus on total two-way trade of between \$5.5 and \$6.0 billion dollars. By contrast, in 1970 the U.S. surplus was \$558 million on total trade of \$5.1 billion. In 1971 U.S.-U.K. trade was in rough balance.

We have followed closely, with the British, international financial developments and the decision of the United Kingdom in June to let the pound float. The United States and the United Kingdom are the world's major reserve currency countries, and we look forward to close co-operation as the negotiations on international monetary reform progress over the coming year.

FRANCE

The President's meeting with French President Pompidou in the Azores on December 19, 1971, gave an important boost to relations with our oldest ally, which continued to show improvement throughout 1972. The French Government helped significantly in enabling a cease-fire agreement to be reached by affording all necessary facilities for our talks with the representatives of North Vietnam. While our views on the eventual status of Vietnam are not identical, France has played a constructive role in the search for a just peace in Indochina.

Foreign Minister Schumann's in-depth discussion with President Nixon and Secretary Rogers in September demonstrated both parallel interests and a desire to reconcile differences. In continuing co-operation on defence matters, French Defence Minister Debre visited the United States in July to consult with Secretary Laird and other officials. This was the first such visit by a French Defence Minister since 1961. These talks confirmed the importance of the French defence effort and the possibilities for collaboration among allies.

On matters affecting the future of Europe, our discussions revealed some divergencies on the procedural approach to a CSCE, and a major difference on MBFR, which France opposes. In view of the overall similarity in French and U.S. views on security issues, however, we are encouraging French interest in MBFR to the extent feasible. On the Middle East, our similar objectives, particularly on a negotiated settlement, were accompanied by differences in emphasis and approach on

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specific issues. The French have strongly supported our efforts to develop useful relations with China, which they view as an essential element for world stability and a return to peace in South-East Asia.

France remains committed to its basic alliance with the United States and its other NATO allies. While espousing an independent strategic doctrine, France favours the maintenance of a strong West European defence within the North Atlantic Alliance. At the same time, the French Government has sought to maintain a careful balance in its policies toward the U.S.S.R. and the United States and to nurture East-West detente and co-operation. France's active and forward role in East-West relations has usually been consonant with overall U.S. policies.

ECONOMIC ISSUES (FRANCE)

As the most independent-minded of our Western European allies, France has been particularly active in the effort to define the role of a revitalized Europe vis-a-vis the United States. The most significant issues in this effort have been world trade and monetary arrangements, with the French in particular calling for a powerful European monetary area as a means of reducing the role of the dollar. French positions on such issues as EC preferential agreements, monetary policy, and non-tariff trade barriers often diverge from our own. France wants minimum movement of exchange rates, an important role for gold, and full asset settlement by the United States.

Despite these fundamental differences on monetary and trade matters, definite progress was registered at the IMF meeting in September when French Finance Minister Giscard d'Estaing praised the U.S. proposals for reform advanced by Treasury Secretary Shultz. Moreover, the Finance Minister presented a French programme which significantly narrowed the gap previously existing between the two countries.

In trade with France, the United States continued to run a sizeable surplus in 1972. We both remain committed to general trade negotiations beginning in 1973 and to further extensive reductions of tariff and non-tariff barriers to international trade.

AREAS OF CO-OPERATION (FRANCE)

Scientific and technical co-operation continued to expand, as both countries gave official support to more than 100 projects involving the exchange of information and research. In the fields of space and the peaceful applications of atomic energy, however, France's desire for the development of a more comprehensive technological base in European industry has in the past been reflected in reluctance to engage in major co-operative efforts with the United States.

The year 1972 also showed an enormous breakthrough in the joint U.S.-French efforts to suppress illicit narcotics traffic. Drug seizures in France reached an unprecedented high as eight heroin processing facilities were discovered and destroyed, compared to a total of four such seizures during the previous seven years. The battle is by no means won, and we are continuing our co-operative efforts in the fight to suppress the movement of heroin to the United States. The French Government has increased its staff of narcotics police to more than 150 agents, who have made an impressive series of arrests and seizures. In pursuit of this effort, Attorney General Kleindienst visited Paris in November to consult with Interior Minister Marcellin, Minister of Justice Pleven, and other French Government officials.

GERMANY

The year 1972 was a benchmark year for postwar German developments. The two German States concluded a basic agreement to establish formal relations through the exchange of permanent representatives. The four Powers having special rights and responsibilities in Berlin and Germany as a whole (the United States, the United Kingdom, France, and the U.S.S.R.) concluded two agreements further strengthening

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the security of Berlin and improving conditions for the Berliners. Throughout the course of the critical and complicated negotiations, the United States, the Federal Republic of Germany (F.R.G.) and other allies maintained close and candid political consultation. The Social-Democratic-Free Democratic coalition, led by Chancellor Brandt and Foreign Minister Scheel, won a majority of Bundestag seats in elections held in November assuring continuation of the Chancellor's domestic and foreign policies.

THE BERLIN AGREEMENT

Last year's report contained a detailed account of the completion of the first phase of quadripartite negotiations on Berlin. It also noted that the subsequent negotiations between German authorities, as foreseen in the first phase of the Berlin Agreement, were successfully concluded in December 1971. The component elements of the agreement, encompassing both the quadripartite and the inner German accords, came into force with the signature by the Foreign Ministers of the United States, the United Kingdom, France and the U.S.S.R. of a final quadripartite protocol in Berlin on June 3, 1972. Consequently, traffic between the F.R.G. and Berlin has been facilitated, visits by West Berliners to East Berlin and the German Democratic Republic (G.D.R.) have become frequent, and communications in the Berlin area have been greatly improved. In addition to these benefits for the Berliners, the quadripartite agreement also contributed to an atmosphere in which other East-West issues could more favourably be pursued...

QUADRIPARTITE DECLARATION

...The principal effect of the quadripartite declaration is to make it clearly understood that G.D.R. membership in the United Nations will not in any way alter those quadripartite rights and practices which are essential to the security and welfare of Berlin.

Following the initialing of the basic treaty and release of the quadripartite declaration, the G.D.R. was voted membership in UNESCO by acclamation on November 20 and was subsequently given observer status at the United Nations.

It is anticipated that the F.R.G. and the G.D.R. will apply for membership in the United Nations in the first half of 1973 following ratification of the basic treaty and the enactment of the enabling legislation necessary in the case of the Federal Republic. We look forward to the same close co-operation with the Federal Republic in the United Nations from which we have mutually benefited in bilateral relations and other multilateral forums.

GERMAN MARSHALL FUND

On June 5, 1972, at Harvard University, on the 25th anniversary of Secretary Marshall's announcement at Harvard of the plan which bears his name, Chancellor Brandt praised that "constructive answer from the United States to the challenge of despair, helplessness and distress." Declaring that the North Atlantic Alliance "remains the basis for our plans and of our actions," the Chancellor announced the establishment of "the German Marshall Fund of the United States" to which he stated the Federal German Government will provide 150 million German marks over the next 15 years.

The Fund, which as an American organization will administer its proceeds without influence by the German donor, will concentrate its attention on problems confronting advanced industrial societies, common interests of Europe and the United States, and European studies. Mr. Benjamin H. Read, formerly Director of the Woodrow Wilson International Center for Scholars at the Smithsonian Institution, has been elected president of the Fund.

The Fund's establishment in memory of the American statesman who in the bleak days following the world holocaust endeavoured to create the postwar Atlantic partnership -- including erstwhile friends and enemies alike -- is symbolic of the strong and confident support which the Federal Republic has always given to that partnership and to the institutions which exist to promote it...

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DRUG CONTROL CO-OPERATION (GERMANY)

The F.R.G. is neither a known producer nor processor of opiates, but it has become an important transit and storage area for hard drugs. Co-operation between the United States and the F.R.G. in the narcotics field was further strengthened and expanded in the past year. A comprehensive bilateral programme of narcotics control, proposed to the F.R.G. by our Embassy in April and warmly endorsed by Chancellor Brandt, is being energetically implemented. The programme focuses principally on law enforcement efforts but also proposes enhanced co-operation in the scientific, social and drug rehabilitation areas. In addition, we have joined with West Germany in an attack on the narcotics network in Southern Germany and made further progress in our mutual efforts to counter the drug problem among our military forces in Germany.

ITALY

...Italy remains a leading supporter of Western European integration, which it regards as an important element in maintaining the strength and economic well-being of Western Europe. Italy aims for a broad, democratic European Community, increasingly open to the United States and other highly industrialized countries.

Italy is a major export market for the United States. Trade between the two countries remains at a high level -- \$3.1 billion in both directions in 1971. While the United States is still Italy's third most important trading partner -- after Germany and France -- our market share has been declining steadily in recent years, from about 12 per cent in 1968 to 9 per cent in 1971. The \$1.5 billion worth of goods we sold to Italy in 1971 represented a decline of about 7.9 per cent over 1970 and was exceeded, for the first time in many years, by the value of Italian exports to this country. This development can be attributed to such factors as the weaker demand in Italy for capital goods and high technological equipment caused by a sluggish economy, uncertainties about monetary policy, and rising competition from EC countries.

Co-operation between Italy and the United States in the fields of science and technology expanded in 1972. In December the 1967 bilateral agreement for a co-operative scientific programme was renewed for an additional three years. The United States and Italy worked together effectively within NATO's CCMS in a number of fields including the development of low pollution engines for motor vehicles. In the field of international narcotics control, we intensified our co-operative efforts with the Italians through training programmes for Italian personnel and expanded co-ordination between United States and Italian authorities...

OTHER WESTERN EUROPEAN COUNTRIES
BELGIUM, LUXEMBOURG, AND THE NETHERLANDS

...U.S. support for an expanded European Community follows very closely the political-economic objectives of the Benelux countries. Belgium serves as the headquarters for NATO and most of the EC institutions. The distinguished Netherlander and former Foreign Minister, Joseph Luns, is now Secretary General of NATO. Our appreciation of certain aspects of CSCE and MBFR has been different from that of the Dutch and Belgians, but our intensive consultations with their officials at all levels have tended to produce an ultimate meeting of the minds. Secretary Rogers' visit to Luxembourg in May 1972 demonstrated the effectiveness of direct personal contact.

THE NORDIC COUNTRIES

...Our bilateral relations with the Nordic countries have traditionally been good; we have particularly close relations, of course, with our NATO allies, Norway, Denmark, and Iceland. However, an irritant in recent years has been our differing views on the Vietnam war. In the case of Sweden, our relations deteriorated during 1972 as the result of heated public criticism by senior Swedish Government officials of our Vietnam policy, without any balancing criticism of North Vietnamese actions. Criticism of the United States culminated at the end of the year in an attack by Swedish Prime Minister Palme on U.S. bombing of North Vietnam, in which he compared our actions with Nazi atrocities during World War II. We protested to the Swedish Government against the extreme nature of Mr. Palme's statement, which

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we consider incompatible with relations existing between friendly countries...

SWITZERLAND

...Economic interests continued to be the primary factor in our relations with Switzerland. Our main problems fall in the monetary and trade field, and relate largely to reform of world trade and monetary systems. Our bilateral trade in 1971 exceeded \$1.1 billion with a small balance in favour of the United States. Cumulative direct investments also continued at a high level of approximately \$1.7 billion each way. Switzerland's largest trading partner is the European Community, with which it signed an agreement in July providing for the establishment of a free-trade zone in industrial goods by stages beginning in 1973.

Switzerland, as a neutral, has continued to serve as protecting power for the United States in Algeria and Cuba. The Swiss have been particularly helpful in Havana in cases of hijacking of U.S. aircraft to Cuba. The Swiss Ambassador has acted as the intermediary for the United States and Cuba in seeking a solution to the hijacking problem. The Swiss are playing host to the SALT II talks which began in Geneva in November 1972.

AUSTRIA

President Nixon's visit to Salzburg in May, en route to Moscow, marked a high point in U.S.-Austrian relations in 1972 and served to underline our interest in the independence, neutrality, and well-being of Austria. The visit offered an opportunity for a useful discussion on matters relating to European security, East-West developments, and bilateral interests.

IRELAND

When Irish Foreign Minister Hillery flew to Washington in early February 1972 to discuss the tragic turn of events in Northern Ireland, Secretary Rogers expressed to him our deep concern and said that "if there is anything which the United States could do that would be helpful, we would consider it. But I am sure that any intervention on our part would be inappropriate and counter-productive."

We have continued to consult with the Irish and British on this situation. President Nixon talked with Dr. Hillery at the White House on October 6, and Secretary Rogers again conferred with Dr. Hillery at New York on October 12. It is our most sincere hope that 1973 will see an end of violence, a reconciliation of the parties involved, and a turn toward peace.

SPAIN

The Agreement of Friendship and Co-operation of 1970 provides the guidelines for U.S.-Spanish co-operation. This agreement enables U.S. use of military and naval facilities in Spain, access to which supports our security posture in Europe and the Mediterranean.

Most problems connected with the composition, condition, and delivery schedule of U.S. military assistance being supplied under the agreement were resolved in 1972 to the satisfaction of both. The 92nd Congress opened the way for delivery to the Spanish Navy of vessels promised in the agreement. Progress was also made under the provisions of the agreement for bilateral co-operation in a number of important non-military areas. Completed and ongoing projects included programmes in nuclear biology, automation, oceanographic research, housing, university administration, and English teaching. New projects in agriculture, American studies, teaching, medical and scientific research, and culture are under study for implementation in 1973.

The United States considers the defence of Western Europe in a multilateral context. We believe that Spanish membership in NATO would be advantageous to all the parties involved. Spain's geographic location and willingness to allow the United States to use its territory for military and naval facilities constitute a valuable contribution to overall Western Defence.

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The United States supports the Spanish objective of closer economic integration with the expanded European Community. We believe that Spanish association with or full membership in the EC would be a natural part of the drive for European economic and political unification. Such a development could go hand in hand with Spain's military integration into Western Europe. We recognize that Spain's increasing ties with the EC are causing us commercial difficulties; we expect, however, that Spain and the EC will take valid U.S. commercial interests into account.

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PORUGAL

In December 1971 the United States and Portugal signed an agreement extending U.S. peace-time rights to base facilities on Portugal's mid-Atlantic Azores islands. At the same time we announced that we have agreed to begin assisting Portugal in its economic and social development programmes.

As a result of that agreement, the United States has provided a modern oceanographic research vessel to the Portuguese Government on a loan basis. On June 30, 1972, we signed an agreement in Lisbon to provide surplus agricultural commodities to Portugal. The agreement covers Calendar Years 1972 and 1973, with \$15 million worth of feed-grains to be shipped yearly. Discussions continue on our offer to supply non-military excess equipment and to co-operate in educational development projects. The United States continues to provide a small amount of training assistance in support of Portugal's commitment to NATO...

THE SOVIET UNION

The President's historic journey to the U.S.S.R. in 1972 raised our co-operation with the Soviet Union to the highest level since the days of our war-time alliance. The United States and the Soviets have now acknowledged that it is in our mutual interest to engage not only in arms limitation but also in increased trade and scientific and cultural contacts. During the past year alone, we concluded more agreements with the Soviet Union than during any year since U.S.-Soviet relations began in 1933, and the level of our trade has risen markedly. In 1972 U.S. exports to the U.S.S.R. rose to \$547 million as compared with \$161 million in 1971; U.S. imports from the U.S.S.R. in 1972 rose to \$95 million as compared with \$57 million the previous year. In 1972 total trade turnover between the two countries was \$642 million as compared with \$218 million in 1971.

In our search for improved relations with the Soviet Union we entertain no illusions about the fundamental differences between us. Even as we welcome Soviet willingness to expand areas of co-operation, we cannot ignore the Soviet Union's adherence to a hostile ideology. We must also take into account traditional Soviet suspicions which complicate developing contacts and mutual trust. Nor can the American people be expected to remain indifferent to the way the Soviet Government deals with such fundamental issues as human rights and free movement. Our differences find their expression in specific foreign policy issues. Nevertheless, in an interrelated and interdependent world, it is essential that such differences not be permitted to frustrate the broader interests of our two nations and of all mankind in peace and security.

Thus we have tried to create what President Nixon has called a "momentum of achievement" in which progress in one area can contribute to progress in others. There is room for progress not only in such areas as trade and arms control, but also through cumulative reduction of petty irritants in our relations. We stand ready, for example, to negotiate the elimination of domestic travel controls on each other's representatives, a step which would facilitate our growing contacts in trade and other fields.

THE MOSCOW SUMMIT

In May Mr. Nixon was the first American President to visit the Soviet capital in an official capacity. He helped usher in the beginning of a new era in U.S.-Soviet relations. It was a working summit, characterized by extensive, in-depth exchanges of views, intensive negotiations, and productive results.

One of these was the signing of a declaration embodying 12 basic principles of relations between the United States and the Soviet Union. Both countries undertook to prevent the development of situations capable of causing a dangerous exacerbation of their relations and agreed to do their utmost to avoid military confrontations. Both countries pledged to exercise restraint in their mutual relations; to recognize the sovereign equality of all countries; and to promote conditions in which no country will be subject to outside interference in its internal affairs.

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In addition, the Moscow summit produced a series of specific agreements. These included a treaty on the limitation of anti-ballistic missile systems and an interim agreement on certain measures with respect to the limitation of strategic offensive arms (SALT I -- see section Toward a More Secure World: Arms Control and Disarmament); an agreement designed to minimize the possibility of incidents at sea between our two navies; measures aimed at establishing more favourable conditions for the development of bilateral commercial and other economic ties, including the creation of a U.S.-Soviet Joint Commercial Commission; an agreement for co-operation in the fields of science and technology, including provision for the creation of a U.S.-Soviet Joint Commission on Scientific and Technical Co-operation; an agreement on measures and procedures for co-operation in the exploration and use of outer space; an agreement for co-operation in medical science and public health; and an agreement on co-operation in the protection and enhancement of man's environment, including consultations on specific co-operative projects.

IMPLEMENTATION OF U.S.-SOVIET BILATERAL AGREEMENTS

While the agreements concluded at the summit cannot in themselves guarantee better political relations between the United States and the Soviet Union, we hope they will institutionalize habits of long-term co-operation across a broad front of creative endeavours. We recognize that improvement of relations depends more on action than on words. Our immediate task following the Moscow summit is to translate areas of agreement into concrete results and to continue progress toward agreement on unresolved issues.

The agreement on prevention of incidents at sea has already been helpful. There has been a reduction of provocative action and incidents since the agreement went into effect, and issues which have arisen have been handled expeditiously. The joint committee envisaged in the agreement met in Moscow in November for technical discussions and to prepare recommendations for further consultations in 1973.

Under the science and technology agreement, six joint working groups have reached understandings for co-operation in such areas as agricultural research, chemical catalysis, water resources, energy, application of computers to management, and micro-biological synthesis.

In the field of space co-operation, five working groups have accelerated planning for a joint U.S.-Soviet orbital docking mission. The mission has been set for July 1975, crew training is scheduled to begin in 1973, and progress has been made in developing compatible systems. Four working groups have held meetings and exchanged information in the fields of space meteorology; study of the natural environment; exploration of near-earth space, the moon, and the planets; and space biology and medicine. In all, the working group sessions have involved some 100 U.S. and Soviet scientists and technicians.

Under the health co-operation agreement, there have been exchanges of visits by dozens of U.S. and Soviet health scientists in the research fields of heart disease, cancer, and environmental health. In accordance with the environmental agreements, nine working groups, backed by additional conferences and visits of specialists, are implementing some 30 co-operative projects in such fields as air and water pollution control, Arctic ecology, earthquake prediction, and climatic changes. The U.S.-U.S.S.R. Joint Committee on Co-operation in the Field of Environmental Protection held its first meeting at Moscow last September and worked out a broad implementation programme.

A new agreement on U.S.-Soviet exchanges for 1972-73 was signed in Moscow on April 11, 1972.

TRADE AND LEND-LEASE

Last year was a turning point in our trade relations with the Soviet Union. On October 18, 1972, agreements were signed with the Soviet Union covering trade

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matters and the settlement of outstanding lend-lease obligations. These agreements establish the basis for more normal trade relationships and open the way to substantial economic dividends for both countries. Secretary Rogers noted that they are "very important agreements in the economic field but they have much greater significance. They are a natural follow-on to the summit meeting, and I believe will improve the climate greatly, which will permit improved relations between our two countries in the political field."

The trade agreement creates a comprehensive framework within which private American firms can participate in U.S.-Soviet trade. It spells out guidelines in specified critical areas to facilitate the flow of trade. It provides for: (1) reciprocal granting of trading access equal to that granted for most of our trading partners in the world; (2) protection against disruption of domestic markets; (3) the availability of U.S. business facilities in the Soviet Union equivalent to those granted representatives of other nations; (4) the establishment of a U.S. commercial office in Moscow and Soviet trade representation in Washington; (5) the encouragement of third-country-supervised arbitration in the settlement of commercial disputes. On the same day that the agreement was concluded, the President signed a determination making the Soviet Union eligible for credits from the Export-Import Bank of the United States.

The Soviet Government has stated that it expects to place substantial orders with us for machinery, agricultural products, industrial products, and consumer goods. We anticipate that our exports to the U.S.S.R. will increase sharply, producing a favourable impact on our balance of trade. It is contemplated that two-way trade will amount to at least \$1.5 billion during the three-year period of the trade agreement, a three-fold expansion over our total trade with the Soviet Union during 1969-71.

The prospect of future challenging joint commercial ventures has been opened up. For example, the Soviet Union has expressed special interest in the joint development and exploitation of its vast Siberian gas deposits over a 25-year period. The U.S. Government is giving careful consideration to this proposal within the context of overall U.S. energy policy.

Congressional action will be required to implement the trade agreement's provision that each country will reduce its tariffs with respect to the products of the other to the level generally applicable to like products of most other countries. The agreement will not enter into force until such legislation is enacted. In the meantime, we are strengthening our commercial representation in the U.S.S.R. and improving facilities for American businessmen in Moscow.

The successful negotiation of the lend-lease question removes an issue which has been a deterrent to U.S.-Soviet commercial relations since World War II. The final settlement represents a fair compromise between the positions of the two sides. It provides for Soviet payment to the United States of at least \$722 million over the period ending July 1, 2001. The exact total will depend on when and how many of four allowable annual deferments are taken by the Soviets. The settlement also includes amounts due on the "pipeline account" for lend-lease goods delivered to the Soviets immediately after World War II, for which they have been paying since 1954.

The trade and lend-lease agreements were an important outgrowth of the joint U.S.-U.S.S.R. Commercial Commission that was established at the Moscow summit last May and that met twice during the year, at Moscow in July and at Washington in October.

GRAIN SALES

On July 8 the United States and the Soviet Union signed an agreement for purchase by the Soviet Union of at least \$750 million of U.S. grain during the three-year period August 1, 1972 through July 31, 1975. The United States agreed to make available \$750 million in credit through the Commodity Credit Corporation. As a result of adverse weather conditions in the U.S.S.R. in 1972, total Soviet purchases of U.S. grains, for cash as well as credit, have

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already exceeded the \$750 million projected for the entire three years. U.S. firms have sold the Soviet Union more than 18 million tons of wheat, corn, and soybeans, with a total value of about \$1.2 billion. The sales of grain to the Soviet Union have had, of course, beneficial effects on our balance of payments and have reduced the expense to the American taxpayer of storing surplus agricultural products.

U.S.-U.S.S.R. MARITIME AGREEMENT

On October 14, 1972, after lengthy negotiations in Washington and Moscow, we signed a maritime agreement with the Soviet Union which went into effect on November 22, 1972. The agreement will facilitate the entry of merchant and research ships of each country into 40 designated ports of the other. It provides for equal sharing in the shipment of cargoes between the two countries, with a substantial portion to be carried by ships of other countries. The list of 40 U.S. ports was developed in negotiations with the Soviets on the basis of reciprocity and after careful evaluation of U.S. security considerations. Although the maritime agreement is not explicitly related to the U.S.-U.S.S.R. trade agreement, it is clear that the anticipated improvement in our bilateral maritime relations will stimulate and facilitate bilateral trade.

SOVIET JEWRY

The increased rate of emigration -- some 31,000 in 1972 -- of those Jews who wish to leave the U.S.S.R. and live in Israel was favourably received by the American people. There was, however, a marked reaction to the imposition in August 1972 of a special education tax on Soviet emigrants to "capitalist" countries. The U.S. Government has made known to the Soviet leadership the intense concern in this country over the imposition of these educational taxes.

CONSULATES AND CHANCERIES

In the spring of 1972 our respective Consuls General-designate in Leningrad and San Francisco moved into their residences and established temporary offices for the staffs of their advance parties. Work has begun on renovating the office building for the American Consulate General in Leningrad. It is expected that modifications will be completed some time in 1973.

In another important step, an agreement on the construction of new Embassy chanceries in Moscow and Washington was signed in Washington December 4, 1972. It is expected that construction will get under way within two years.

EAST EUROPEAN COUNTRIES

U.S. relations with the countries of Eastern Europe improved significantly in 1972. After accompanying President Nixon on his visits to the Soviet Union and Poland in May, Secretary Rogers visited the capitals of Yugoslavia, Romania, and Hungary in July -- the first time an American Secretary of State had ever visited either of the latter two countries. The visits served as catalysts for the conclusion of consular conventions, signed by the Secretary with Poland, Hungary and Romania, and the conclusion of a scientific research co-operation agreement with Hungary. The Secretary's discussions produced subsequent negotiations on commercial and financial issues and on scientific, technical, and cultural exchanges. These agreements demonstrated concrete achievement as well as the potential for further progress.

Our efforts to improve relations with the countries of Eastern Europe will continue to be based on the principles of mutual respect for independence and sovereignty. The use or threat of force from any quarter would be inconsistent with detente in Europe. To be our friend and to achieve a balanced progress in relations with the United States, no nation need be anyone else's enemy. Our aims are negotiation and co-operation.

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As our bilateral relations improve, we also welcome the increasing engagement of Eastern and Western Europe. The division of Europe has served no one's advantage and the current efforts to move from confrontation to negotiation and agreement will provide a lasting basis for peaceful cooperation.

YUGOSLAVIA

Secretary Rogers' visit to Yugoslavia in July, maintained the momentum of friendly relations generated by the previous exchange of visits by President Nixon and President Tito. The high-level communication between the two governments testified to U.S. respect for the sovereignty and integrity of non-aligned Yugoslavia.

Export-Import Bank credits, guarantees, and insurance from U.S. exports to Yugoslavia, and the availability of American investment insurance and guarantees through the Overseas Private Investment Corporation (OPIC) have encouraged U.S. exports and investment in Yugoslavia. The United States is now Yugoslavia's fourth largest trading partner. Total trade turnover in 1972 exceeded \$318 million, compared with \$270 million in 1971. Private U.S. capital investment in 1972 was approximately \$3 million, in contrast to virtually no investment five years ago.

Joint U.S.-Yugoslav scientific and technical research projects were carried out in Yugoslavia mainly in health, agriculture, energy, and transportation. These programmes provide a highly successful bridge between American and Yugoslav scientists, doctors, and academicians. In November both sides agreed to seek new arrangements which would assure continuation of this co-operation, notwithstanding the anticipated exhaustion of U.S. excess currency dinars which we had obtained from earlier sales of U.S. agricultural products.

ROMANIA

U.S.-Romanian relations were further strengthened in July by the Secretary's visit to Bucharest, during which the first consular convention between Romania and the United States since 1881 was signed. This convention will promote the growth of normal travel and commercial contacts and will provide a sound basis for the protection of the interests of U.S. citizens in Romania. The removal of closed-area travel restrictions on Romanian officials in the United States was also announced, reciprocating similar action taken earlier by the Romanian authorities with respect to U.S. officials. To facilitate increased commerce, the time required for advance request for entry of Romanian ships and crews into U.S. ports was reduced from 14 to 7 days.

During his Bucharest visit Secretary Rogers took the opportunity to reaffirm American interest in the independence of the countries of Eastern Europe. He stated that "we also share a basic conviction that all countries -- whatever their size or their location, and whether they are in the same or different social systems -- are equally sovereign and equally independent, and have an equal right to run their own affairs free of outside interference..."

In December we concluded with Romania the most comprehensive exchanges and co-operation agreement in the history of our bilateral relations. In addition to providing for the expansion of extensive ongoing exchanges, the agreement includes new provisions for education seminars; the exchange of delegations of university officials; government, social, professional, and civic exchanges; and the development of tourism.

We continued to support legislation to permit Romanian exports to enter the United States at the normal most-favoured-nation rates; we hope for passage in 1973. Preliminary negotiations are under way on a convention to avoid double-taxation of income, which will help promote joint ventures and other investment. The United States has welcomed the Romanian accession to membership in the International Monetary Fund and the World Bank. U.S.-Romanian trade turnover in 1972 totalled \$100 million, compared with \$66 million in 1971 and \$22 million in 1968.

POLAND

President Nixon's visit to Warsaw in May gave a new impetus to U.S.-Polish relations... The improvement in U.S.-Polish relations has already led to an expansion

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in bilateral trade. Total trade turnover in 1972 exceeded \$250 million, as compared with \$180 million in 1971. In the second session of the Joint American-Polish Trade Commission, Foreign Trade Minister Olechowski and Commerce Secretary Peterson indicated that bilateral trade could be expected to treble within the next five years.

HUNGARY

U.S.-Hungarian relations were unusually active in 1972, a year marked by success both in the resolution of longstanding problems and the establishment of new areas of co-operation.

The highlight was the visit of Secretary Rogers to Budapest in July. The Secretary signed a consular convention which assures that the Embassy in Budapest will be notified of the arrest of any U.S. citizen visiting Hungary and will have access to him while he is detained. During his visit, the Secretary witnessed the signing of an agreement between the National Science Foundation and the Hungarian Institute for Cultural Relations providing for increased co-operation in scientific affairs.

As a result of the visit, negotiations were renewed on the claims of U.S. citizens for war-damaged and nationalized property. These negotiations were successfully concluded and a claims agreement was initialed ad referendum on October 12...

CZECHOSLOVAKIA

In 1972 our chronically unsatisfactory relations with Czechoslovakia gave some promise of improving. In his meeting with the Secretary at the U.N. General Assembly in October, Czechoslovak Foreign Minister Chroupek made clear his government's interest in settling bilateral problems. These include the long-standing question of the settlement of U.S. claims arising out of property nationalized by Czechoslovakia, the return to Czechoslovakia of Nazi-looted gold held by a U.S.-U.K.-French tripartite commission, and the negotiation of consular and cultural exchange agreements...

BULGARIA

In late 1972 there were signs that U.S.-Bulgarian relations might improve. In his discussions with the Secretary at the U.N. General Assembly, Bulgarian Foreign Minister Mladenov showed interest in enhancing bilateral ties, particularly in the economic field. It was proposed that a high-level Bulgarian delegation visit the United States to study steps to this end. The Bulgarian Government was informed we would welcome the visit and that, in the meantime, we would be prepared to suggest steps for improving our relations...

ALBANIA

The absence of diplomatic relations with the People's Republic of Albania stood out at the end of 1972 as unfinished business in our search for normal relations with all countries regardless of differences. However, the direction of movement in the policies of both the United States and Albania gave promise that in due course normal relations would be resumed. (End excerpts)

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FOLLOWING IS THE TEXT OF THE SECTION OF THE STATE DEPARTMENT FOREIGN POLICY REPORT ENTITLED "THE EASTERN MEDITERRANEAN"

THE EASTERN MEDITERRANEAN

The strength and stability of Greece and Turkey, as allies on the vital southern flank of NATO, remain as essential to Western defences in an era of detente as in a less congenial international climate. It would be unrealistic to hope for an immediate end to tensions in the area; indeed, the Mediterranean has seen an unprecedented build-up of Soviet strength over the past several years. Aware that increased cooperation with the Soviets has been made possible by the current military balance, we recognize that sustained allied cohesion and strength will minimize risks inherent in a policy of reconciliation with the East and will enhance the opportunities for negotiation.

In June the President, addressing a joint session of the Congress, said:

"We must stand steadfastly with our NATO partners if negotiations leading to a new detente and a mutual reduction of forces in Europe are to be productive. Maintaining the strength, integrity, and steadfastness of our free world alliance is the foundation on which all of our other initiatives for peace and security in the world must rest. As we seek better relations with those who have been our adversaries, we will not let down our friends and allies around the world."

TURKEY

In March, when he was still the Turkish Prime Minister, Nihat Erim met with President Nixon in Washington. The two leaders discussed the full range of Turkish-American bilateral relations, with particular emphasis on our common security concerns in Europe and the Eastern Mediterranean, as well as major international issues. In a joint statement following the meeting, President Nixon stressed the importance the United States attached to its close relations with Turkey and to Turkey's role as an important NATO ally.

Collaboration between our two countries has been most evident in combating the worldwide illicit drug traffic. In June 1972 the last Turkish opium poppy crop was harvested -- under especially vigorous Government supervision and control -- and the Turkish ban on poppy planting became effective. Turkish and American law enforcement agencies are working closely together to suppress narcotics smuggling. In addition, the United States gave assistance to Turkey for agricultural and agro-industrial development of the areas where poppy cultivation has been eliminated. This assistance included the first installment of a pledge of 35 million dollars, spread over three years, to compensate Turkey for foreign exchange losses on sale of medicinal opium, as well as aid for development projects in the poppy-growing areas. The Turkish Government also contracted directly with the U.S. Department of Agriculture for technical help to develop the affected region.

Turkish economy, buoyed by increasing remittances from Turkish workers in Europe, made impressive advances during 1972. American economic assistance continued at a level of 40 million dollars a year in loans for development projects. American direct investment in Turkey is just over 200 million dollars. Our imports from Turkey are expected to exceed 80 million dollars in 1972, while our exports to Turkey are estimated at 300 million dollars.

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GREECE

Greece has now extended hospitality to some 550 families of servicemen attached to units of the sixth fleet homeported in the Athens area. This homeporting program insures the continued effective operation of the sixth fleet in the face of strict budgeting constraints and reduced ship and personnel levels.

The burgeoning economy of Greece is contributing to the strength of the southern NATO flank and is adding a new dimension in our relations. In decades past we have supported the people of Greece in their development effort through economic assistance programs. We will now seek ways to participate in further economic progress through private trade and investment.

Because we have enjoyed a long and close relationship with the Greek people, we naturally look forward to the reestablishment of constitutional government in Greece. However, we consider the evolution of a political system in Greece an internal affair of the Greek people in which the United States cannot appropriately intrude.

CYPRUS

In September 1971 talks between representatives of the Greek Cypriot and Turk Cypriot communities broke down. After the intensive diplomatic efforts, to which the United States contributed, the negotiations were revived under an expanded format, which included constitutional experts from both Greece and Turkey and the special representative of the Secretary General of the United Nations. The new round of talks was inaugurated on June 8, 1972, and is still in progress.

The United States has close ties with all the parties to the Cyprus dispute and supports negotiations among them to attain a solution based on a sovereign, independent, and united Cyprus with appropriate arrangements for local government of the Turkish Cypriot community and the protection of its rights and interests. We are fully aware of the difficulties inherent in the Cyprus problem, which has defied solution for so many years. Nevertheless, we are convinced that agreement is possible if all parties persist in their efforts to find a negotiated solution in a spirit of mutual accommodation and good will.

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OFFICIAL TEXT U.S.I.S.U.S. EMBASSY, LONDONThursday,
April 19, 1973PRESIDENT NIXON'S ENERGY MESSAGE

Following is the text of President Nixon's Energy Message, submitted to Congress April 18th, 1973:

(Begin text)

To the Congress of the United States:

At home and abroad, America is in a time of transition. Old problems are yielding to new initiatives, but in their place new problems are arising which once again challenge our ingenuity and require vigorous action. Nowhere is this more clearly true than in the field of energy.

As America more prosperous and more heavily industrialized, our demands for energy have soared. Today, with 6 per cent of the world's population, we consume almost a third of all the energy used in the world. Our energy demands have grown so rapidly that they now outstrip our available supplies, and at our present rate of growth, our energy needs a dozen years from now will be nearly double what they were in 1970.

In the years immediately ahead, we must face up to the possibility of occasional energy shortages and some increase in energy prices.

Clearly, we are facing a vitally important energy challenge. If present trends continue unchecked, we could face a genuine energy crisis. But that crisis can and should be averted, for we have the capacity and the resources to meet our energy needs if only we take the proper steps -- and take them now.

More than half the world's total reserves of coal are located within the United States. This resource alone would be enough to provide for our energy needs for well over a century. We have potential resources of billions of barrels of recoverable oil, similar quantities of shale oil and more than 2,000 trillion cubic feet of natural gas. Properly managed, and with more attention on the part of consumers to the conservation of energy, these supplies can last for as long as our economy depends on conventional fuels.

In addition to natural fuels, we can draw upon hydro-electric plants and increasing number of nuclear powered facilities. Moreover, long before our present energy sources are exhausted, America's vast capabilities in research and development can provide us with new, clean and virtually unlimited sources of power.

Thus we should not be misled into pessimistic predictions of an energy disaster. But neither should we be lulled into a false sense of security. We must examine our circumstances realistically, carefully weigh the alternatives -- and then move forward decisively.

WEIGHING THE ALTERNATIVES

Over 90 per cent of the energy we consume today in the United States comes from three sources: natural gas, coal and petroleum. Each source presents us with a different set of problems.

Natural gas is our cleanest fuel and is most preferred in order to protect our environment, but ill-considered regulations of natural gas prices by the Federal Government have produced a serious and increasing scarcity of this fuel.

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We have vast quantities of coal, but the extraction and use of coal have presented such persistent environmental problems that, today, less than 20 per cent of our energy needs are met by coal and the health of the entire coal industry is seriously threatened.

Our third conventional resources is oil, but domestic production of available oil is no longer able to keep pace with demands.

In determining how we should expand and develop these resources, along with others such as nuclear power, we must take into account not only our economic goals, but also our environmental goals and our national security goals. Each of these areas is profoundly affected by our decisions concerning energy.

If we are to maintain the vigour of our economy, the health of our environment, and the security of our energy resources, it is essential that we strike the right balance among these priorities.

The choices are difficult, but we cannot refuse to act because of this. We cannot stand still simply because it is difficult to go forward. That is the one choice Americans must never make.

The energy challenge is one of the great opportunities of our time. We have already begun to meet that challenge, and realize its opportunities.

NATIONAL ENERGY POLICY

In 1971, I sent to the Congress the first message on energy policies ever submitted by an American President. In that message I proposed a number of specific steps to meet our projected needs by increasing our supply of clean energy in America.

Those steps included expanded research and development to obtain more clean energy, increased availability of energy resources located on Federal lands, increased efforts in the development of nuclear power, and a new Federal organization to plan and manage our energy programmes.

In the twenty-two months since I submitted that message, America's energy research and development efforts have been expanded by 50 per cent.

In order to increase domestic production of conventional fuels, sales of oil and gas leases on the outer continental shelf have been increased. Federal and State standards to protect the marine environment in which these leases are located are being tightened. We have developed a more rigorous surveillance capability and an improved ability to prevent and clean up oil spills.

We are planning to proceed with the development of oil shale and geothermal energy sources on Federal lands, so long as an evaluation now underway shows that our environment can be adequately protected.

We have also taken new steps to expand our uranium enrichment capacity for the production of fuels for nuclear power plants, to standardize nuclear power plant designs, and to ensure the continuation of an already enviable safety record.

We have issued new standards and guidelines, and have taken other actions to increase and encourage better conservation of energy.

In short, we have made a strong beginning in our effort to ensure that America will always have the power needed to fuel its prosperity. But what we have accomplished is only a beginning.

Now we must build on our increased knowledge, and on the accomplishments of the past twenty-two months, to develop a more comprehensive, integrated national energy policy. To carry out this policy we must:

- Increase domestic production of all forms of energy;

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- Act to conserve energy more effectively;
- Strive to meet our energy needs at the lowest cost consistent with the protection of both our national security and our natural environment;
- Reduce excessive regulatory and administrative impediments which have delayed or prevented construction of energy-producing facilities;
- Act in concert with other nations to conduct research in the energy field and to find ways to prevent serious shortages; and
- Apply our vast scientific and technological capacities -- both public and private -- so we can utilize our current energy resources more wisely and develop new sources and new forms of energy.

The actions I am announcing today and the proposals I am submitting to the Congress are designed to achieve these objectives. They reflect the fact that we are in a period of transition, in which we must work to avoid or at least minimize short-term supply shortages, while we act to expand and develop our domestic supplies in order to meet long-term energy needs.

We should not suppose this transition period will be easy. The task ahead will require the concerted and co-operative efforts of consumers, industry, and government.

DEVELOPING OUR DOMESTIC ENERGY RESOURCES

The effort to increase domestic energy production in a manner consistent with our economic, environmental and security interests should focus on the following areas:

NATURAL GAS

Natural gas is America's premium fuel. It is clean-burning and thus has the least detrimental effect on our environment.

Since 1966, our consumption of natural gas has increased by over one-third, so that today natural gas comprises 32 per cent of the total energy we consume from all sources. During this same period, our proven and available reserves of natural gas have decreased by a fifth. Unless we act responsibly, we will soon encounter increasing shortages of this vital fuel.

Yet the problem of shortages results less from inadequate resources than from ill-conceived regulation. Natural gas is the fuel most heavily regulated by the Federal Government -- through the Federal Power Commission. Not only are the operations of interstate natural gas pipelines regulated, as was originally and properly intended by the Congress, but the price of the natural gas supplied to these pipelines by thousands of independent producers has also been regulated.

For more than a decade the prices of natural gas supplied to pipelines under this extended regulation have been kept artificially low. As a result, demand has been artificially stimulated, but the exploration and development required to provide new supplies to satisfy this increasing demand have been allowed to wither. This form of government regulation has contributed heavily to the shortages we have experienced, and to the greater scarcity we now anticipate.

As a result of its low regulated price, more than 50 per cent of our natural gas is consumed by industrial users and utilities, many of which might otherwise be using coal or oil. While home-owners are being forced to turn away from natural gas and toward more expensive fuels, unnecessarily large quantities of natural gas are being used by industry.

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Furthermore, because prices within producing States are often higher than the interstate prices established by the Federal Power Commission, most newly discovered and newly produced natural gas does not enter interstate pipelines. Potential consumers in non-producing States thus suffer the worst shortages. While the Federal Power Commission has tried to alleviate these problems, the regulatory framework and attendant judicial constraints inhibit the ability of the Commission to respond adequately.

It is clear that the price paid to producers for natural gas in interstate trade must increase if there is to be the needed incentive for increasing supply and reducing inefficient usage. Some have suggested additional regulation to provide new incentives, but we have already seen the pitfalls in this approach. We must regulate less, not more. At the same time, we cannot remove all natural gas regulations without greatly inflating the price of gas currently in production and generating windfall profits.

To resolve this issue, I am proposing that gas from new wells, gas newly-dedicated to interstate markets, and the continuing production of natural gas from expired contracts should no longer be subject to price regulation at the well-head. Enactment of this legislation should stimulate new exploration and development. At the same time, because increased prices on new unregulated gas would be averaged in with the prices for gas that is still regulated, the consumer should be protected against precipitous cost increases.

To add further consumer protection against unjustified price increases, I propose that the Secretary of the Interior be given authority to impose a ceiling on the price of new natural gas when circumstances warrant. Before exercising this power, the Secretary would consider the cost of alternative domestic fuels, taking into account the superiority of natural gas from an environmental standpoint. He would also consider the importance of encouraging production and more efficient use of natural gas.

OUTER CONTINENTAL SHELF

Approximately half of the oil and gas resources in this country are located on public lands, primarily on the Outer Continental Shelf (OCS). The speed at which we can increase our domestic energy production will depend in large measure on how rapidly these resources can be developed.

Since 1954, the Department of the Interior has leased to private developers almost 8 million acres on the Outer Continental Shelf. But this is only a small percentage of these potentially productive areas. At a time when we are being forced to obtain almost 30 per cent of our oil from foreign sources, this level of development is not adequate.

I am therefore directing the Secretary of the Interior to take steps which would triple the annual acreage leased on the Outer Continental Shelf by 1979, beginning with expanded sales in 1974 in the Gulf of Mexico and including areas beyond 200 metres in depth under conditions consistent with my Oceans Policy Statement of May, 1970. By 1985, this accelerated leasing rate could increase annual energy production by an estimated 1.5 billion barrels of oil (approximately 16 per cent of our projected oil requirements in that year), and 5 trillion cubic feet of natural gas (approximately 20 per cent of expected demand for natural gas that year).

In the past, a central concern in bringing these particular resources into production has been the threat of environmental damage. Today, new techniques, new regulations and standards, and new surveillance capabilities enable us to reduce and control environmental dangers substantially. We should now take advantage of this progress. The resources under the shelf, and on all our public lands, belong to all Americans, and the critical needs of all Americans for new energy supplies require that we develop them.

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If at any time it is determined that exploration and development of a specific shelf area can only proceed with inadequate protection of the environment, we will not commence or continue operations. This policy was reflected in the suspension of 35 leases in the Santa Barbara Channel in 1971. We are continuing the Santa Barbara suspensions, and I again request that the Congress pass legislation that would provide for appropriate settlement for those who are forced to relinquish their leases in the area.

At the same time, I am directing the Secretary of the Interior to proceed with leasing the Outer Continental Shelf beyond the Channel Islands of California if the reviews now underway show that the environmental risks are acceptable.

I am also asking the chairman of the Council on Environmental Quality to work with the Environmental Protection Agency, in consultation with the National Academy of Sciences and appropriate Federal agencies, to study the environmental impact of oil and gas production on the Atlantic Outer Continental Shelf and in the Gulf of Alaska. No drilling will be undertaken in these areas until its environmental impact is determined. Governors, legislators and citizens of these areas will be consulted in this process.

Finally, I am asking the Secretary of the Interior to develop a long-term leasing programme for all energy resources on public lands, based on a thorough analysis of the nation's energy, environmental, and economic objectives.

ALASKAN PIPELINE

Another important source of domestic oil exists on the North Slope of Alaska. Although private industry stands ready to develop these reserves and the Federal Government has spent large sums on environmental analyses, this project is still being delayed. This delay is not related to any adverse judicial findings concerning environmental impact, but rather to an outmoded legal restriction regarding the width of the right of way for the proposed pipeline.

At a time when we are importing growing quantities of oil at great detriment to our balance of payments, and a time when we are also experiencing significant oil shortages, we clearly need the two million barrels a day which the North Slope could provide -- a supply equal to fully one-third of our present import levels.

In recent weeks I have proposed legislation to the Congress which would remove the present restriction on the pipeline. I appeal to the Congress to act swiftly on this matter so that we can begin construction of the pipeline with all possible speed.

I oppose any further delay in order to re-study the advisability of building the pipeline through Canada. Our interest in rapidly increasing our supply of oil is best served by an Alaskan pipeline. It could be completed much more quickly than a Canadian pipeline; its entire capacity would be used to carry domestically owned oil to American markets where it is needed; and construction of an Alaskan pipeline would create a significant number of American jobs both in Alaska and in the maritime industry.

SHALE OIL

Recoverable deposits of shale oil in the continental United States are estimated at some 600 billion barrels, 80 billion of which are considered easily accessible.

At the time of my Energy Message of 1971, I requested the Secretary of the Interior to develop an oil shale leasing programme on a pilot basis and to provide me with a thorough evaluation of the environmental impact of such a programme. The Secretary has prepared this pilot project and expects to have a final environmental impact statement soon. If the environmental risks are acceptable, we will proceed with the programme.

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To date there has been no commercial production of shale oil in the United States. Our pilot programme will provide us with valuable experience in using various operational techniques and acting under various environmental conditions. Under the proposed programme, the costs both of development and environmental protection would be borne by the private lessee.

GEOTHERMAL LEASES

At the time of my earlier energy message, I also directed the Department of the Interior to prepare a leasing programme for the development of geothermal energy on Federal lands. The regulations and final environmental analysis for such a programme should be completed by late spring of this year.

If the analysis indicates that we can proceed in an environmentally acceptable manner, I expect leasing of geothermal fields on Federal lands to begin soon thereafter.

The use of geothermal energy could be of significant importance to many of our Western areas, and by supplying a part of the Western energy demand, could release other energy resources that would otherwise have to be used. Today, for instance, power from the Geysers geothermal field in California furnishes about one-third of the electric power of the city of San Francisco.

New technologies in locating and producing geothermal energy are now under development. During the coming fiscal year, the National Science Foundation and the Geological Survey will intensify their research and development efforts in this field.

COAL

Coal is our most abundant and least costly domestic source of energy. Nevertheless, at a time when energy shortages loom on the horizon, coal provides less than 20 per cent of our energy demands, and there is serious danger that its use will be reduced even further. If this reduction occurs, we would have to increase our oil imports rapidly, with all the trade and security problems this would entail.

Production of coal has been limited not only by competition from natural gas -- a competition which has been artificially induced by Federal price regulation -- but also by emerging environmental concerns and mine health and safety requirements. In order to meet environmental standards, utilities have shifted to natural gas and imported low-sulphur fuel oil. The problem is compounded by the fact that some low-sulphur coal resources are not being developed because of uncertainty about Federal and State mining regulations.

I urge that highest national priority be given to expanded development and utilization of our coal resources. Present and potential users who are able to choose among energy sources should consider the national interest as they make their choice. Each decision against coal increases petroleum or gas consumption, compromising our national self-sufficiency and raising the cost of meeting our energy needs.

In my State of the Union Message on Natural Resources and the Environment earlier this year, I called for strong legislation to protect the environment from abuse caused by mining. I now repeat that call. Until the coal industry knows the mining rules under which it will have to operate, our vast reserves of low-sulphur coal will not be developed as rapidly as they should be and the under-utilization of such coal will persist.

The Clean Air Act of 1970, as amended, requires that primary air quality standards -- those related to health -- must be met by 1975, while more stringent secondary standards -- those related to the "general welfare" -- must be met within a reasonable period. The States are moving very effectively to meet primary standards established by the Clean Air Act, and I am encouraged by their efforts.

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the same time, our concern for the "general welfare" or national interest should take into account considerations of national security and economic prosperity as well as our environment.

If we insisted upon meeting both primary and secondary clean air standards by 1975, we could prevent the use of up to 155 million tons of coal per year. This would force an increase in demand for oil of 1.6 million barrels per day. This oil would have to be imported, with an adverse effect on our balance of payments of some \$1.5 billion or more a year. Such a development would also threaten the loss of an estimated 26,000 coal mining jobs.

If, on the other hand, we carry out the provisions of the Clean Air Act in a judicious manner, carefully meeting the primary, health-related standards, but not moving in a precipitous way toward meeting the secondary standards, then we should be able to use virtually all of that coal which would otherwise go unused.

The Environmental Protection Agency has indicated that the reasonable time allowed by the Clean Air Act for meeting secondary standards could extend beyond 1975. Last year, the administrator of the Environmental Protection Agency sent to all State Governors a letter explaining that during the current period of shortages in low-sulphur fuel, the States should not require the burning of such fuels except where necessary to meet the primary standards for the protection of health. This action by the States should permit the desirable substitution of coal for low-sulphur fuel in many instances. I strongly support this policy.

Many State regulatory commissions permit their State utilities to pass on increased fuel costs to the consumer in the form of higher rates, but there are sometimes lags in allowing the costs of environmental control equipment to be passed on in a similar way. Such lags discourage the use of environmental control technology and encourage the use of low-sulphur fuels, most of which are imported.

To increase the incentive for using new environmental technology, I urge all State utility commissions to ensure that utilities receive a rapid and fair return on pollution control equipment, including stack gas cleaning devices and coal gasification processes.

As an additional measure to increase the production and use of coal, I am directing that a new reporting system on national coal production be instituted within the Department of the Interior, and I am asking the Federal Power Commission for regular reports on the use of coal by utilities.

I am also stepping up our spending for research and development in coal, with special emphasis on technology for sulphur removal and the development of low-cost, clean-burning forms of coal.

NUCLEAR ENERGY

Although our greatest dependence for energy until now has been on fossil fuels such as coal and oil, we must not and we need not continue this heavy reliance in the future. The major alternative to fossil fuel energy for the remainder of this century is nuclear energy.

Our well-established nuclear technology already represents an indispensable source of energy for meeting present needs. At present there are 30 nuclear power plants in operation in the United States; of the new electrical generator capacity contracted for during 1972, 70 per cent will be nuclear power. By 1980, the amount of electricity generated by nuclear reactors will be equivalent to 1.25 billion barrels of oil, or 8 trillion cubic feet of gas. It is estimated that nuclear power will provide more than one-quarter of this country's electrical production by 1985, and over half by the year 2000.

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Most nuclear power plants now in operation utilize light water reactors. In the near future, some will use high temperature gas-cooled reactors. These techniques will be supplemented during the next decade by the fast breeder reactor, which will bring about a 30-fold increase in the efficiency with which we utilize our domestic uranium resources. At present, development of the liquid metal fast breeder reactor is our highest priority target for nuclear research and development.

Nuclear power generation has an extraordinary safety record. There has never been a nuclear-related fatality in our civilian atomic energy programme. We intend to maintain that record by increasing research and development in reactor safety.

The process of determining the safety and environmental acceptability of nuclear power plants is more vigorous and more open to public participation than for any comparable industrial enterprise. Every effort must be made by the government and industry to protect public health and safety and to provide satisfactory answers to those with honest concerns about this source of power.

At the same time, we must seek to avoid unreasonable delays in developing nuclear power. They serve only to impose unnecessary costs and aggravate our energy shortages. It is discouraging to know that nuclear facilities capable of generating 27,000 megawatts of electric power which were expected to be operational by 1972 were not completed. To replace that generating capacity we would have to use the equivalent of one-third of the natural gas in the country used for generating electricity in 1972. This situation must not continue.

In my first energy special message in 1971, I proposed that utilities prepare and publish long-range plans of the siting of nuclear power plants and transmission lines. This legislation would provide a Federal-State framework for licensing individual plants on the basis of a full and balanced consideration of both environmental and energy needs. The Congress has not acted on that proposal. I am resubmitting that legislation this year with a number of new provisions to simplify licensing, including one to require that the Government act on all completed license applications within 18 months after they are received.

I would also emphasize that the private sector's role in future nuclear development must continue to grow. The Atomic Energy Commission is presently taking steps to provide greater amounts of enriched uranium fuel for the nation's nuclear power plants. However, this expansion will not fully meet our needs in the 1980's; the Government now looks to private industry to provide the additional capacity that will be required.

Our nuclear technology is a national asset of inestimable value. It is essential that we press forward with its development.

The increasing occurrence of unnecessary delays in the development of energy facilities must be ended if we are to meet our energy needs. To be sure, reasonable safeguards must be vigorously maintained for protection of the public and of our environment. Full public participation and questioning must also be allowed as we decide where new energy facilities are to be built. We need to streamline our governmental procedures for licensing and inspections, reduce overlapping jurisdictions and eliminate confusion generated by the Government.

To achieve these ends I am taking several steps. During the coming year we will examine various possibilities to assure that all public and private interests are impartially and expeditiously weighed in all Government proceedings for permits, licensing and inspections.

I am again proposing siting legislation to the Congress for electric facilities and for the first time, for deep-water ports. All of my new siting legislation includes provisions for simplified licensing at both Federal and State levels. It is vital that the Congress take prompt and favourable action on these proposals.

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ENCOURAGING DOMESTIC EXPLORATION

Our tax system now provides needed incentives for mineral exploration in the form of percentages depletion allowances and deductions for certain drilling expenses. These provisions do not, however, distinguish between exploration for new reserves and development of existing reserves.

In order to encourage increased exploration, I ask the Congress to extend the investment credit provisions of our present tax law so that a credit will be provided for all exploratory drilling for new oil and gas fields. Under this proposal, a somewhat higher credit would apply for successful exploratory wells than for unsuccessful ones, in order to put an additional premium on results.

The investment credit has proven itself a powerful stimulus to industrial activity. I expect it to be equally effective in the search for new reserves.

IMPORTING TO MEET OUR ENERGY NEEDS

OIL IMPORTS

In order to avert a short-term fuel shortage and to keep fuel costs as low as possible, it will be necessary for us to increase fuel imports. At the same time, in order to reduce our long-term reliance on imports, we must encourage the exploration and development of our domestic oil and the construction of refineries to process it.

The present quota system for oil imports -- the Mandatory Oil Import Program -- was established at a time when we could produce more oil at home than we were using. By imposing quantitative restrictions on imports, the quota system restricted imports of foreign oil. It also encouraged the development of our domestic petroleum industry in the interest of national security.

Today, however, we are not producing as much oil as we are using, and we must import ever larger amounts to meet our needs.

As a result, the current Mandatory Oil Import Program is of virtually no benefit any longer. Instead, it has the very real potential of aggravating our supply problems, and it denies us the flexibility we need to deal quickly and efficiently with our import requirements. General dissatisfaction with the program and the apparent need for change has led to uncertainty. Under these conditions, there can be little long-range investment planning for new drilling and refinery construction.

Effective today, I am removing by proclamation all existing tariffs on imported crude oil and products. Holders of import licenses will be able to import petroleum duty free. This action will help hold down the cost of energy to the American consumer.

Effective today, I am also suspending direct control over the quantity of crude oil and refined products which can be imported. In place of these controls, I am substituting a license-fee quota system.

Under the new system, present holders of import licenses may import petroleum exempt from fees up to the level of their 1973 quota allocations. For imports in excess of the 1973 level, the fee must be paid by the importer.

This system should achieve several objectives.

First, it should help to meet our immediate energy needs by encouraging importation of foreign oil at the lowest cost to consumers, while also providing incentives for exploration and development of our domestic resources to meet our long-term needs. There will be little paid in fees this year, although all exemptions from fees will be phased out over several years. By gradually increasing fees over the next two and one-half years to a maximum level of one-half cent per gallon for crude oil and one and one-half cents per gallon for all refined products, we should continue to meet our energy needs while encouraging industry to increase its domestic production.

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Second, this system should encourage refinery construction in the United States because the fees are higher for refined products than for crude oil. As an added incentive, crude oil in amounts up to three-fourths of new refining capacity may be imported without being subject to any fees. This special allowance will be available to an oil company during the first five years after it builds or expands its refining capacity.

Third, this system should provide the flexibility we must have to meet short and long-term needs efficiently. We will review the fee level periodically to ensure that we are imposing the lowest fees consistent with our intention to increase domestic production while keeping costs to the consumer at the lowest possible level. We will also make full use of the Oil Import Appeals Board to ensure that the needs of all elements of the petroleum industry are met, particularly those of independent operators who help to maintain market competition.

Fourth, the new system should contribute to our national security. Increased domestic production will leave us less dependent on foreign supplies. At the same time, we will adjust the fees in a manner designed to encourage, to the extent possible, the security of our foreign supplies.

Finally, I am directing the Oil Policy Committee to examine incentives aimed at increasing our domestic storage capacity or shut-in production. In this way we will provide buffer stocks to insulate ourselves against a temporary loss of foreign supplies.

DEEPWATER PORTS

It is clear that in the foreseeable future, we will have to import oil in large quantities. We should do this as cheaply as we can with minimal damage to the environment. Unfortunately, our present capabilities are inadequate for these purposes.

The answer to this problem lies in deepwater ports which can accommodate those larger ships, providing important economic advantages while reducing the risks of collision and grounding. Recent studies by the Council on Environmental Quality demonstrate that we can expect considerably less pollution if we use fewer but larger tankers and deepwater facilities, as opposed to the many small tankers and conventional facilities which we would otherwise need.

If we do not enlarge our deepwater port capacity, it is clear that both American and foreign companies will expand oil trans-shipment terminals in the Bahamas and the Canadian maritime provinces. From these terminals, oil will be brought to our conventional ports by growing numbers of small and medium-size trans-shipment vessels, thereby increasing the risks of pollution from shipping operations and accidents. At the same time, the United States will lose the jobs and capital that those foreign facilities provide.

Given these considerations, I believe we must move forward with an ambitious programme to create new deepwater ports for receiving petroleum imports.

The development of ports has usually been a responsibility of State and local governments and the private sector. However, States cannot issue licenses beyond the three-mile limit. I am therefore proposing legislation to permit the Department of the Interior to issue such licenses. Licensing would be contingent upon full and proper evaluation of environmental impact, and would provide for strict navigation and safety, as well as proper land use requirements. The proposed legislation specifically provides for Federal co-operation with State and local authorities.

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CONSERVING ENERGY

The abundance of America's natural resources has been one of our greatest advantages in the past. But if this abundance encourages us to take our resources for granted, then it may well be a detriment to our future.

Common sense clearly dictates that as we expand the types and sources of energy available to us for the future, we must direct equal attention to conserving the energy available to us today, and we must explore means to limit future growth in energy demand.

We as a nation must develop a national energy conservation ethic. Industry can help by designing products which conserve energy and by using energy more efficiently. All workers and consumers can help by continually saving energy in their day-to-day activities: by turning out lights, tuning up automobiles, reducing the use of air conditioning and heating, and purchasing products which use energy efficiently.

Government at all levels also has an important role to play, both by conserving energy directly, and by providing leadership in energy conservation efforts.

I am directing today that an Office of Energy Conservation be established in the Department of the Interior to co-ordinate the energy conservation programmes which are presently scattered throughout the Federal establishment. This office will conduct research and work with consumer and environmental groups in their efforts to educate consumers on ways to get the greatest return on their energy dollar.

To provide consumers with further information, I am directing the Department of Commerce, working with the Council on Environmental Quality and the Environmental Protection Agency, to develop a voluntary system of energy efficiency labels for major home appliances. These labels should provide data on energy use as well as a rating comparing the product's efficiency to other similar products. In addition, the Environmental Protection Agency will soon release the results of its tests of fuel efficiency in automobiles.

There are other ways, too, in which Government can exercise leadership in this field. I urge again, for example, that we allow local officials to use money from highway trust funds for mass transit purposes. Greater reliance on mass transit can do a great deal to help us conserve gasoline.

The Federal Government can also lead by example. The General Services Administration, for instance, is constructing a new Federal office building using advanced energy conservation techniques, with a goal of reducing energy use by 20 per cent over typical buildings of the same size. At the same time, the National Bureau of Standards is evaluating energy use in a full-size house within its laboratories. When this evaluation is complete, analytical techniques will be available to help predict energy use for new dwellings. This information, together with the experience gained in the construction and operation of the demonstration Federal building, will assist architects and contractors to design and construct energy-efficient buildings.

Significant steps to upgrade insulation standards on single and multi-family dwellings were taken at my direction in 1971 and 1972, helping to reduce heat-loss and otherwise conserve energy in the residential sector. As soon as the results of these important demonstration projects are available, I will direct the Federal Housing Administration to update its insulation standards in light of what we have learned and to consider their possible extension to mobile homes.

Finally, we should recognize that the single most effective means of encouraging energy conservation is to ensure that energy prices reflect their true costs. By eliminating regulations such as the current ceiling on natural gas prices and by ensuring that the costs of adequate environmental controls are

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equitably allocated, we can move toward more efficient distribution of our resources.

Energy conservation is a national necessity, but I believe that it can be undertaken most effectively on a voluntary basis. If the challenge is ignored, the result will be a danger of increased shortages, increased prices, damage to the environment and the increased possibility that conservation will have to be undertaken by compulsory means in the future. There should be no need for a nation which has always been rich in energy to have to turn to energy rationing. This is part of the energy challenge which every American can help to meet, and I call upon every American to do his or her part.

RESEARCH AND DEVELOPMENT

If we are to be certain that the forward thrust of our economy will not be hampered by insufficient energy supplies or by energy supplies that are prohibitively expensive, then we must not continue to be dependent on conventional forms of energy. We must instead make every useful effort through research and development to provide both alternative sources of energy and new technologies for producing and utilizing this energy.

For the short-term future, our research and development strategy will provide technologies to extract and utilize our existing fossil fuels in a manner most compatible with a healthy environment.

In the longer run, from 1985 to the beginning of the next century, we will have more sophisticated development of our fossil fuel resources and on the full development of the liquid metal fast breeder reactor. Our efforts for the distant future centre on the development of technologies -- such as nuclear fusion and solar power -- that can provide us with a virtually limitless supply of clean energy.

In my 1971 energy special message to the Congress I outlined a broadly based research and development programme. I proposed the expansion of co-operative Government-industry efforts to develop the liquid metal fast breeder reactor, coal gasification, and stack gas cleaning systems at the demonstration level. These programmes are all progressing well.

My budget for fiscal year 1974 provides for an increase in energy research and development funding of 20 per cent over the level of 1973.

My 1974 budget provides for creation of a new central energy fund in the Interior Department to provide additional money for non-nuclear research and development, with the greatest part designated for coal research. This central fund is designed to give us the flexibility we need for rapid exploitation of new, especially promising energy technologies with near-term pay-offs.

One of the most promising programmes that will be receiving increased funding in fiscal year 1974 is the solvent refined coal process which will produce low-ash, low-sulphur fuels from coal. Altogether, coal research and development and proposed funding is increased by 27 per cent.

In addition to increased funding for the liquid metal fast breeder reactor, I am asking for greater research and development on reactor safety and radioactive waste disposal, and the production of nuclear fuel.

The waters of the world contain potential fuel -- in the form of a special isotope of hydrogen -- sufficient to power fusion reactors for thousands of years. Scientists at the Atomic Energy Commission now predict with increased confidence that we can demonstrate laboratory feasibility of controlled thermonuclear fusion by magnetic confinement in the near future. We have also advanced to the point where some scientists believe the feasibility of laser fusion could be demonstrated within the next several years. I have proposed in my 1974 budget a 35 per cent increase in funding for our total fusion research and development effort to accelerate

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experimental programmes and to initiate preliminary reactor design studies.

While we look to breeder reactors to meet our mid-term energy needs, today's commercial power reactors will continue to provide most of our nuclear generating capacity for the balance of this century. Although nuclear reactors have had a remarkable safety record, my 1974 budget provides additional funds to assure that our rapidly growing reliance on nuclear power will not compromise public health and safety. This includes work on systems for safe storage of the radioactive waste which nuclear reactors produce. The Atomic Energy Commission is working on additional improvements in surface storage and will continue to explore the possibility of underground burial for long-term containment of these wastes.

Solar energy holds great promise as a potentially limitless source of clean energy. My new budget triples our solar energy research and development effort to a level of \$12 million. A major portion of these funds would be devoted to accelerating the development of commercial systems for heating and cooling buildings.

Research and development funds relating to environmental control technologies would be increased 24 per cent in my 1974 budget. This research includes a variety of projects related to stack gas cleaning and includes the construction of a demonstration sulphur dioxide removal plant. In addition, the Atomic Energy Commission and the Environmental Protection Agency will continue to conduct research on the thermal effects of power plants.

While the Federal Government is significantly increasing its commitment to energy research and development, a large share of such research is and should be conducted by the private sector.

I am especially pleased that the electric utilities have recognized the importance of research in meeting the rapidly escalating demand for electrical energy. The recent establishment of the Electric Power Research Institute, which will have a budget in 1974 in excess of \$100 million, can help develop technology to meet both load demands and environmental regulations currently challenging the industry.

Historically the electric power industry has allocated a smaller portion of its revenues to research than have most other technology-dependent industries. This pattern has been partly attributable to the reluctance of some State utility commissions to include increased research and development expenditures in utility rate bases.

Recently the Federal Power Commission instituted a national rule to allow the recovery of research and development expenditures in rates. State regulatory agencies have followed the FPC's lead and are liberalizing their treatment of research and development expenditures consistent with our changing national energy demands.

I am hopeful that this trend will continue and I urge all State utility commissions to review their regulations regarding research and development expenditures to ensure that the electric utility industry can fully co-operate in a national energy research and development effort.

It is foolish and self-defeating to allocate funds more rapidly than they can be effectively spent. At the same time, we must carefully monitor our progress and our needs to ensure that our funding is adequate. When additional funds are found to be essential, I shall do everything I can to see that they are provided.

INTERNATIONAL CO-OPERATION

The energy challenge confronts every nation. Where there is such a community of interest, there is both a cause and a basis for co-operative action.

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Today, the United States is involved in a number of co-operative, international efforts. We have joined with the other 22 member-nations of the Organization for Economic Co-operation and Development to produce a comprehensive report on long-term problems and to develop an agreement for sharing oil in times of acute shortages. The European Economic Community has already discussed the need for co-operative efforts and is preparing recommendations for a Community energy policy. We have expressed a desire to work together with them in this effort.

We have also agreed with the Soviet Union to pursue joint research in magnetohydrodynamics (MHD), a highly efficient process for generating electricity, and to exchange information on fusion, fission, the generation of electricity, transmission and pollution control technology. These efforts should be a model for joint research efforts with other countries. Additionally, American companies are looking into the possibility of joint projects with the Soviet Union to develop natural resources for the benefit of both nations.

I have also instructed the Department of State, in co-ordination with the Atomic Energy Commission, other appropriate Government agencies, and the Congress to move rapidly in developing a programme of international co-operation in research and development on new forms of energy and in developing international mechanisms for dealing with energy questions in times of critical shortages.

I believe the energy challenge provides an important opportunity for nations to pursue vital objectives through peaceful co-operation. No chance should be lost to strengthen the structure of peace we are seeking to build in the world, and few issues provide us with as good an opportunity to demonstrate that there is more to be gained in pursuing our national interests through mutual co-operation than through destructive competition or dangerous confrontation.

FEDERAL ENERGY ORGANIZATION

If we are to meet the energy challenge, the current fragmented organization of energy-related activities in the Executive branch of the Government must be overhauled.

In 1971, I proposed legislation to consolidate Federal energy-related activities within a new Department of Natural Resources. The 92nd Congress did not act on this proposal. In the interim I have created a new post of Counsellor to the President on Natural Resources to assist in the policy co-ordination in the natural resources field.

Today I am taking Executive action specifically to improve the Federal organization of energy activities.

I have directed the Secretary of the Interior to strengthen his Department's organization of energy activities in several ways:

- The responsibilities of the new Assistant Secretary for Energy and Minerals will be expanded to incorporate all Departmental energy activities;
- The Department is to develop a capacity for gathering and analysis of energy data;
- An Office of Energy Conservation is being created to seek means for reducing demands for energy;
- The Department of the Interior has also strengthened its capabilities for overseeing and co-ordinating a broader range of energy research and development.

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By Executive Order, I have placed authority in the Department of the Treasury for directing the Oil Policy Committee. That committee co-ordinates the oil import programme and makes recommendations to me for changes in that programme. The Deputy Secretary of the Treasury has been designated chairman of that committee.

Through a second Executive Order, effective today, I am strengthening the capabilities of the Executive Office of the President to deal with top level energy policy matters by establishing a special energy committee composed of three of my principal advisors. The order also reaffirms the appointment of a special consultant, who heads an energy staff in the Office of the President.

Additionally, a new division of energy and science is being established within the Office of Management and Budget.

While these Executive actions will help, more fundamental reorganization is needed. To meet this need, I shall propose legislation to establish a Department of Energy and Natural Resources (DENR) building on the legislation I submitted in 1971, with heightened emphasis on energy programmes

This new Department would provide leadership across the entire range of national energy. It would, in short, be responsible for administering the national energy policy detailed in this Message.

CONCLUSION

Nations succeed only as they are able to respond to challenge, and to change when circumstances and opportunities require change.

When the first settlers came to America, they found a land of untold natural wealth, and this became the cornerstone of the most prosperous nation in the world. As we have grown in population, in prosperity, in industrial capacity, in all those indices that reflect the constant upward thrust in the American standard of living, the demands on our natural resources have also grown.

Today, the energy resources which have fueled so much of our national growth are not sufficiently developed to meet the constantly increasing demands which have been placed upon them. The time has come to change the way we meet these demands. The challenge facing us represents one of the great opportunities of our time -- an opportunity to create an even stronger domestic economy, a cleaner environment, and a better life for all our people.

The proposals I am submitting and the actions I will take can give us the tools to do this important job.

The need for action is urgent. I hope the Congress will act with dispatch on the proposals I am submitting. But in the final analysis, the ultimate responsibility does not rest merely with the Congress or with this Administration. It rests with all of us -- with Government, with industry and with the individual citizen.

Whenever we have been confronted with great national challenges in the past, the American people have done their duty. I am confident we shall do so now.
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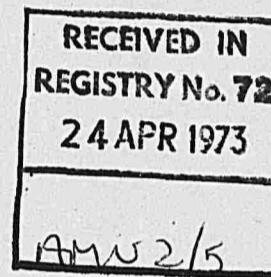
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US SECRETARY OF STATES FOREIGN POLICY REPORT FOR 1972.

MR ROGERS'S ANNUAL FOREIGN POLICY REPORT TO THE CONGRESS IS BEING PUBLISHED TOMORROW THE PRESIDENT'S FOREIGN POLICY MESSAGE WHICH USUALLY OVERSHADOWS IT HAS NOT YET APPEARED. A SUMMARY IS BEING CARRIED BY REUTERS. WE WILL SEND COPIES TO NORTH AMERICAN DEPARTMENT AND COMMENT FURTHER, IF NECESSARY AS SOON AS POSSIBLE

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